

The J.P. Morgan View

What stands in the way?

- **Asset allocation** — We review the potential threats to a further equity rally and do not see enough to alter our significant equity overweight.
- **Economics** — US Q2 lowered from 3% to 2.5%. Fed hiking starts in Q3 next year, to reach 3.5% by 2017. Global H1 now only at 1.8%.
- **Fixed Income** — Earlier Fed hikes and more dovish ECB keep us long 5yr EU vs US.
- **Equities** — Exit Euro area bank overweight. Add risk to EM overweight.
- **Credit** — European HG and HY spread targets lowered from 80bp to 75bp and 365bp to 315bp, respectively.
- **FX** — The Riksbank's easing makes us increase our SEK short and add a long GBP/SEK.
- **Commodities** — We are OW commodities on attractive carry, rebounding manufacturing data in China and supply risks in energy.
- [Click here for video.](#)

- Strong PMIs and US jobs data pushed equity prices and bond yields higher this week, while keeping credit spreads in a range. EM asset classes outperformed slightly, but not in FX.
- The unrelenting rally in equity markets this year and the past three years is forcing investors to ask **what will stop it, if not reverse it**. Below, we look at the major risks raised in client discussions and conclude that we should stay significantly long equities, with a small remaining long in credit, and larger risk longs in commodity roll and EM. **The main risks to the equity rally in our mind come from economic shocks, over-valuation, financial instability, a bond selloff, and geopolitical shocks.**
- **Can the economy derail the rally in stocks?** With our equity bullish view based on low macro vol and no return on cash, economic risk comes either from a significant fall in growth, depressing earnings and raising recession risk, or from a rapid acceleration that forces significant Fed rate hikes. The massive miss on Q1 GDP (-2.9% vs first forecast of +2.5%) is a strong reminder on the downside, but was ignored by the market as a fluke as jobs and earnings data have been more buoyant. Q2 is coming in better, but with no payback for the Q1 miss, and again a bit weaker than original forecast (now 2.5%, down from 3%). Given the steady downgrades to global growth in recent years, a fall in long-term growth is a bigger risk to us than an imminent recession. Lower trend growth is ultimately not bullish for stocks, but in our mind, paradoxically, is initially equity positive as it keeps monetary policy easy, bond yields low, and macro volatility depressed.
- On the upside risk on the economy, we accept that a **sudden surge in growth**, as during the 1994 Fed tightening shock, is possible, but we downplay this risk as so much of the global growth disappointments of recent years appears the result of delevering by banks, households and governments that does not seem over. This natural aftermath of the great recession minimizes to us the risk of a sudden and sustained growth surge.

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Global Asset Allocation

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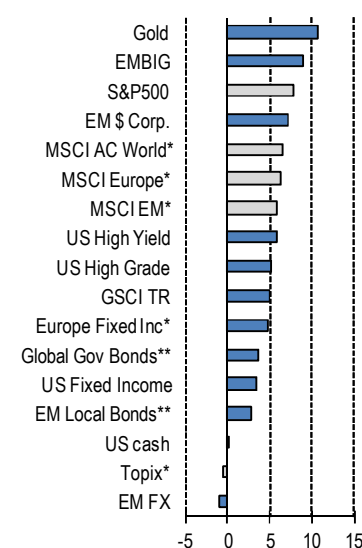
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YTD returns through Jul 2

% , equities are in lighter color.



Source: J.P. Morgan, Bloomberg.

Note: Returns in USD. *Local currency. **Hedged into USD. Euro Fixed Income is iBoxx Overall Index. US HG, HY, EMBIG and EM \$ Corp are JPM indices. EM FX is EMCI in \$.

See page 7 for analyst certification and important disclosures.

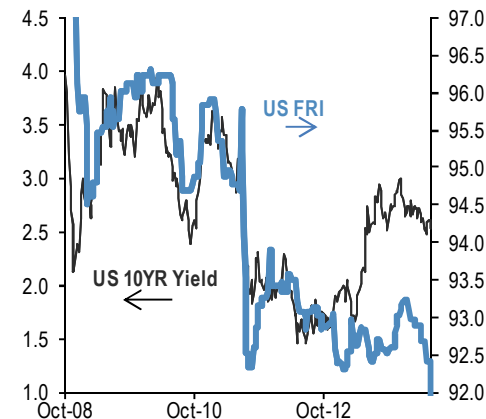
- **The higher stock prices go, and the lower future returns will be.** Some valuation models suggest only mid-single-digit long-term returns for US stocks. Our own preferred – trend earnings yield plus inflation – only has a 6% handle. We accept that higher asset prices and lower growth promise lower returns over the next 5-10 years. But that is true for all asset classes, and surely for bonds and cash. We note that the main objective of investing is to save for old age. The lower the overall set of expected returns, the more investor will have to focus on higher-return assets to realize their future wealth objectives. Hence, we do not see overall lower IRRs on assets inducing investors to lower their equity holdings. On the contrary.
- **The faster stocks rise, the more investors and policy makers should be worried about the next asset bubble and crash.** Monetary authorities across the world are indeed increasingly fretting about this risk and about what to do about it. Witness the latest BIS report and the debate between Yellen and Lagarde on financial instability. Our take remains that as long as central banks feel they have control over the banks and overall system leverage, they will allow local asset bubbles and busts to happen as they are seen to have little contagion. Investors should still be worried and are thus we believe best off to focus on risk assets that have seen the least growth: hence, our advice to reduce credit OWs in favor of equities, EM and commodity roll.
- Can a **sudden sell off in bonds push risk assets down?** Of course, but we consider the risk modest in a world of low growth. Over the past year, US bond yields only moved up with growth upgrades, and with the taper warning in Q2 last year (chart on right). The subsequent and resulting weakening in the US housing market after Q2 creates a serious limit to how much bond yields can rise, in our view (see M. Feroli, *US: housing reality is happier than the myths*, Feroli, Jun 28).
- Can **geopolitical shocks** derail the stock rally? The main risk that seems to be out there is a widening Sunni-Shia civil war in the Middle East. We have no comparative advantage gauging this risk but find there appears to be little local interest in compromise and instead ample willingness to add fuel and resources to the fire. Hence, we should assume that it is not going away fast and requires protecting against, by being long crude, even as we assume at the moment the crisis will not get out of control.

Fixed Income

- **We bring forward our projection for Fed tightening to 3Q15 from 4Q15** previously as a result of the decline in the unemployment rate in today's US payroll report, combined with firming core PCE inflation. We now see the Fed funds rate at 1% in end-2015, and 2.5% in end-2016 (*Changing our Fed call*, Michael Feroli, Jul 3), compared to 1M OIS rates starting in Dec 15 in 2015 and 2016 at 0.72% and 1.65% respectively.
- **The ECB** did not make any policy changes in its meeting today, but provided further clarification on the technical detail of the TLTRO operations, which suggested that the TLTROs would be slightly more generous than previously thought (*ECB gives more TLTRO details*, Greg Fuzesi, Jul 3). Draghi also noted in the Q&A session of the press conference that the overall take-up could reach a maximum of €1tn.
- A stronger than expected payroll report coupled with a dovish ECB reinforce our long standing short in **5Y US Treasuries vs. German Bunds**.
- In our monthly *GMOS* published this week, we also updated a range of **cross-market signals** which we have found useful in cross-market allocation. These include 1) carry, 2) the change in the curve slope (capturing the tendency of

US growth forecast revisions vs. the US 10YR yield

%, FRI is a forecast revision index of changes in US GDP forecasts by J.P. Morgan economists for current and next year.



Source: J.P. Morgan

Performance of cross-market systematic signals

Cross-market signals using two long-short pairs for each signal*, % change in the cumulative total return index for each signal.

	Carry	Carry to risk	Change in slope	Real yield	Unemployment change
2010	4.22	2.70	1.73	1.96	0.85
2011	4.50	-0.77	0.15	3.86	-2.32
2012	3.22	2.31	-0.07	0.52	1.89
2013	-5.52	-1.10	-3.73	-1.83	-4.38
2014 to-date	-0.44	-0.53	-1.79	0.85	2.76

* For each signal, the eight markets (Euro area, Japan, UK, US, Australia, Canada, Sweden and Switzerland) are ranked at the end of each month. The top market is paired against the bottom market, and the second with the second-to-last. Returns are calculated using 10Y swaps for each currency.

Source: J.P. Morgan

More details in ...

Global Data Watch, Bruce Kasman, David Hensley and Joe Lupton
Global Markets Outlook and Strategy, Jan Loeys et al.
US Fixed Income Markets, Matt Jozoff, and Alex Roevers
Global Fixed Income Markets, Fabio Bassi et al.
Emerging Markets Outlook and Strategy, Luis Oganess and Holly Huffman
Key trades and risk: Emerging Market Equity Strategy, Adrian Mowat et al.
European Equity Strategy, Mislav Matejka., et al.
Flows & Liquidity, Nikos Panigirtzoglou et al.

markets which have underperformed recently to catch up), 3) real yield (the 10Y nominal yield less Consensus forecasts for inflation over the next 10 years), and 4) unemployment relative to the average over the previous 10 months. Some of these cross-market signals have performed better so far this year (see Table to the right), particularly the real yield and unemployment signals. We focus on the real yield signal, which points to **an overweight in Australia vs. Japan** with a real yield differential of around 2.3%.

Equities

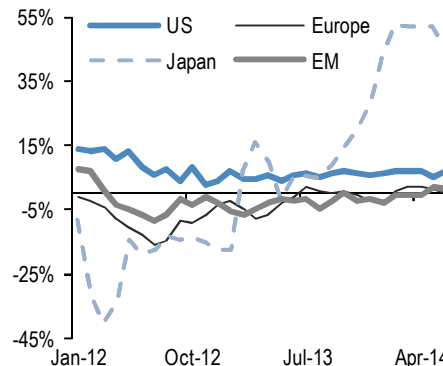
- As we approach the Q2 earnings season, we take stock of how earnings growth has changed over time and across regions. The **yoy EPS change in the US has been remarkably stable over the past few years** averaging close to 6%. As a result, both earnings volatility and the dispersion of analyst earnings forecasts have collapsed, as we highlighted in last week's *Flows & Liquidity* (June 27).
- Assuming a continuation of the 5.4% yoy growth pace seen in the previous quarter, the S&P500 Q2 EPS should rise to \$28.50, \$0.10 above last quarter's earnings and flat vs. the bottom up analyst projection of \$28.50 as of the end of June. We do **not expect much surprise from the Q2 reporting season** and as a result not much impetus into the **US equity market**.
- What about the other regions?** Momentum in Japanese earnings growth seems to have slowed a little over the past few months. Although Japanese equities have been seeing the highest yoy change, exceeding 50% in 2013, the pace started declining this year. Also the spectacular rebound in Japanese EPS growth during 2013 followed very negative growth (in dollar terms) during 2012. Both Euro area and EM earnings growth have improved recently exiting negative territory but the current yoy pace is only marginally above zero.
- We **expect EM EPS growth to accelerate into 2015** and this is one of the reasons we are more positive and add risk to our OW on EM vs. DM equities. But we prefer to focus the short leg on the US and Europe rather than MSCI World as the recent momentum in Japanese equities and the prospect of further government policy action make an implicit Japanese equity underweight rather unattractive, in our view.
- As noted last week, our **OW in euro area banks** suffered over the past month with news of bank litigation. Given uncertainty regarding further litigation against European banks we prefer to **tactically exit** this trade.

Credit

- Credit spreads are mixed this week, with US HG and HY flat, EM tighter and Europe wider.** Our European credit strategists have revised their spread forecasts lower, HG from 80bp to 75bp and HY from 365bp to 315bp. Negative net issuance and ECB stimulus should support HG, while very low and falling volatility and default rates should push HY spreads tighter through H2 (*Surveying the Landscape*, Lamy et al., Jul 3). In *GMOS* yesterday, we added a **European HG OW vs. US HG**. The US credit cycle is more advanced than in Europe and will likely see companies re-leveraging in the US vs. deleveraging in Europe, particularly for banks. We recommend selling protection in iTraxx Senior Financials and buying protection on CDIX.IG.
- EM corporates** have issued a total of \$219bn in external bonds so far this year, which is ahead of the \$212bn issued during the same period last year. However, supply for USD bonds only is lower, at \$173bn versus \$176bn over the same period in 2013. This is mainly due to higher issuance of EUR-denominated bonds, which at \$29bn YTD is almost double the \$15bn issued

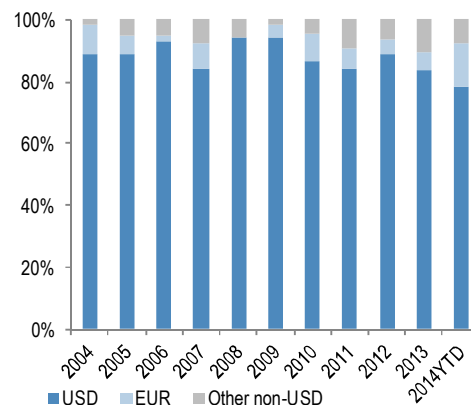
Earnings growth across different regions

YoY % change in trailing 12m EPS in dollar terms .



Source: Datastream, J.P. Morgan,

Issuance of external debt by EM corporates



Source: J.P. Morgan, Blue Chip Economics, Consensus Economics

More details in ...

US Credit Markets Outlook and Strategy, Eric Beinstein et al.
EM Corporate Weekly Monitor, Yang-Myung Hong et al.
High Yield Credit Markets Weekly, Peter Acciavatti et al.
European Credit Outlook & Strategy, Stephen Dulake et al.
Emerging Markets Cross Product Strategy Weekly, Eric Beinstein et al.

during 1H 2013. As a result, EUR bonds rose to 14% of total issuance which is the highest level since 2007 (Chart on right).

Foreign Exchange

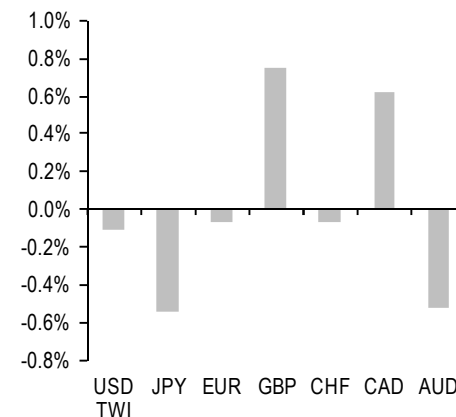
- **Today's payrolls report triggered a change in JPM's Fed call** – from first hike in Q4 2015 to first hike in Q3 – but not in our FX forecasts. We had been expecting a gain of about 2% in the trade-weighted USD by Dec 2014 as the US labour market strengthened and rates moved towards the Fed dots. That repricing appears back on track. We still hold the following pairwise targets by year-end: EUR/USD 1.30, USD/JPY 1.06 and AUD/USD 0.91.
- **The ECB's press conference this week was not very additive to the bearish euro view.** We have long seen ECB policy as a minor influence on the euro since even with a series of TLTROs over the next two years, it isn't clear that the ECB balance sheet will expand that materially in net terms, so once we account for the roughly €450bn of outstanding 2012 LTROs, which would need to be repaid or rolled by the end of this year. An ECB pledge to launch sovereign QE would be properly euro-negative since it would guarantee ECB balance sheet expansion, but Draghi's press conference today gave no suggestion that the odds of such action had increased.
- In terms of trades, we had been running a combination of short USD/EM trades (vs. CNY and PHP) and intra-European trade (long GBP/NOK, EUR/SEK, EUR/NOK and short EUR/CHF). **Today we increase the size of the SEK short following the Riksbank's emphatic policy easing** and downward revisions to its repo rate forecast. We hold EUR/SEK (from 9.1940) and add a long position in GBP/SEK. We remain bearish on NOK in the wake of the Norges Bank's equally dovish forecast revisions two weeks ago but see marginally more upside for the dollar now courtesy of payrolls; hence, **we switch from EUR/NOK to USD/NOK**, thereby neutralising the portfolio's overall implicit EUR/USD exposure.

Commodities

- **Commodities are down around 1.5% this week**, led lower by energy, which offset another rally in base metals. We moved our commodity allocation to OW in the *J.P. Morgan View*, Jun 13, and maintain it. A number of major commodity futures curves are now in steep backwardation (downward sloping), offering very attractive carry, in our view. Supply is threatened in oil markets, inventories are low by historical standards and Chinese activity data appear to have bottomed. **We shift our long Brent into a long in the GSCI energy index** as the roll yield looks more attractive. We also maintain our long in gasoline vs. heating oil on relative supply.
- **Agriculture is down 5% over the week**, after the USDA released a number of bearish revisions to their forecasts for grains. Corn and soybean inventories were revised up 39% and 11%, respectively, and the total planted area for grains was revised up by 1.7%. Within agriculture, **we keep our preference for sugar** given the likely El Niño and possibility of a disruption to the Indian monsoon. So far the monsoon has been weak with 43% less rain than the historical average and crop planting has been delayed.

Weekly FX returns

% vs. the USD.



Source: Bloomberg

More details in ...

FX Markets Weekly, John Normand et al.
Commodity Markets Outlook & Strategy,
 Colin Fenton et al.
Oil Markets Monthly, Colin Fenton et al.
Natural Gas Weekly, Scott Speaker and Shikha Chaturvedi
Metals Monthly, Natasha Kaneva et al.
Agriculture Weekly, Conor O'Malley

Forecasts & Strategy

Interest rates		Current	Sep-14	Dec-14	Mar-15	Jun-15
United States	Fed funds rate	0.125	0.125	0.125	0.125	0.125
	10-year yields	2.64	2.90	3.00	3.10	3.20
Euro area	Refi rate	0.15	0.10	0.10	0.10	0.10
	10-year yields	1.29	1.35	1.50	1.60	1.70
United Kingdom	Repo rate	0.50	0.50	0.50	0.75	1.00
	10-year yields	2.75	2.80	3.05	3.20	3.35
Japan	Overnight call rate	0.05	0.05	0.05	0.05	0.05
	10-year yields	0.57	0.55	0.55	0.65	0.70
Emerging markets	GBI-EM - Yield	6.54		7.04		

Credit Markets

US high grade (bp over UST)	123		110		
Euro high grade (asset swap sprd)	89		75		
USD high yield (bp vs. UST)	412		375		
Euro high yield (bp over Bunds)	325		315		
EMBIG (bp vs. UST)	275		275		
EM Corporates (bp vs. UST)	331		300		

Foreign Exchange

EUR/USD	1.36	1.34	1.30	1.30	1.28
USD/JPY	102	102	106	107	107
GBP/USD	1.72	1.71	1.67	1.68	1.66
AUD/USD	0.94	0.92	0.91	0.90	0.91
USD/BRL	2.22	2.30	2.40	2.45	2.50
USD/CNY	6.16	6.20	6.15	6.15	6.15
USD/KRW	1009	1000	1000	995	985
USD/TRY	2.13	2.15	2.15	2.15	2.15

Quarterly Averages

Commodities	Current	14Q3	14Q4	15Q1	15Q2
Brent (\$/bbl)	111	105	105	103	98
Gold (\$/oz)	1320	1260	1285		
Copper (\$/metric ton)	7140	6750	6950		

YTD Equity Sector Performance*	US	Europe	Japan	EM\$
Energy	13.0%	12.7% UW	10.4% UW	5.5% UW
Materials	9.0%	6.7% OW	-3.4% UW	1.7% UW
Industrials	4.5%	1.2% OW	2.7% OW	5.6% OW
Discretionary	1.8%	3.9% N	-4.4% OW	9.0% N
Staples	5.7%	6.0% UW	7.4% OW	3.4% UW
Healthcare	12.8%	11.7% N	3.3% UW	10.2% N
Financials	5.6%	2.6% OW	-10.4% OW	5.7% N
Information Tech.	10.2%	-1.5% OW	3.5% UW	17.6% OW
Telecommunications	5.4%	1.3% UW	-4.7% OW	0.2% UW
Utilities	15.2%	18.9% N	-3.9% UW	13.7% N
Overall	8.5%	6.3%	-0.5%	7.4%

*Levels/returns as of Jul 02, 2014

Source: J.P. Morgan

Investment themes and impacts

Low growth means money stays easy

The current US recovery is the slowest since WWII. Global growth will barely exceed potential. Easy money stays for a long time.

Low macro vol drives carry trades

ZIRP and low macro vol make earning risk premia and carry very attractive

Rotate risk from over-owned and -valued

... to better valued and less owned risk assets. Credit OWs are now small, and exposure is moved to equity, EM and commodity roll.

OW EM across asset classes

Relative macro momentum is switching to EM. EM growth expectations are stabilizing while those in DM have come down badly. Investors seem UW EM, while it offers better value. OW EM across bonds, FX, credit and equities.

Avoid and hedge what is suspect

Our UWs are not just based on value and macro momentum but also on what seems uncertain, coming from event risk, such as the Middle East and China, or from the unexplained (fall in U-rate and Q1 GDP). Hedges include oil futures, UW US FI vs EU, UW US equity vs EM.

Past half-time in the global business cycle

June marks the 5th anniversary of the recovery. Working hypothesis is an 8-year recovery. That keeps equity rally on track, but makes the credit rally mature.

Source: J.P. Morgan, GMOS, Jul 2, 2014

Tactical overview

	Direction	Country	Sector
Asset allocation	Bullish risk	EM	OW Equities, HY vs bonds.
Equities	Long	EM, Dax	Semiconductors; J REITs; cycl's
Bonds	Flat	EU vs. US, DM; long in NZ, Spain; EM	
Credit	Small OW	EU	HY, FINs, EM.
FX	Long EM	Carry from: COP, CNY, PHP, NGN	Long SEK, NOK vs. EUR; short ZAR vs. USD.
Comd's	Neutral		Brent on carry; Copper on better demand from China.

Source: J.P. Morgan

Global Economic Outlook Summary

	Real GDP			Real GDP						Consumer prices			
	% over a year ago			% over previous period, saar						% over a year ago			
	2013	2014	2015	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	4Q13	2Q14	4Q14	4Q15
United States	1.9	1.4 ↓	2.9	2.6	-2.9	<u>2.5</u> ↓	3.0	3.0	3.0	1.2	2.1	2.4	1.9
Canada	2.0	2.2	2.6	2.7	1.2	<u>2.2</u>	2.5	2.7	2.8	0.9	2.4	2.3	2.4
Latin America	2.5	1.6	2.9	1.5	<u>0.5</u>	<u>1.4</u>	2.1	2.8	3.1	4.5	5.0	5.1	4.7
Argentina	2.9	-1.5	3.0	-1.8	-3.2	<u>-0.8</u>	-4.6	-1.4	4.0	10.7	34.0	40.0	45.0
Brazil	2.5	1.1	1.8	1.8	0.7	<u>0.3</u>	1.6	2.7	2.2	5.8	6.3	6.3	6.3
Chile	4.1	2.5	3.5	-0.4	3.0	<u>1.7</u>	4.0	2.8	3.2	2.5	4.5	4.3	3.0
Colombia	4.7	5.0	4.5	<u>3.7</u> ↑	<u>9.7</u> ↓	<u>2.0</u>	4.0	4.0	5.0	1.8	2.8	3.2	3.0
Ecuador	4.5	3.3	4.0	4.7	<u>2.0</u>	1.5	2.0	2.5	3.5	2.3	2.0	3.2	4.0
Mexico	1.1	2.9	3.8	0.5	1.1	<u>4.0</u>	3.9	3.7	3.6	3.7	3.7	4.1	3.1
Peru	5.8	4.2	5.5	6.9	0.3	<u>3.5</u>	6.0	7.0	5.5	3.0	3.2	3.0	2.5
Uruguay	4.7	3.0	4.0	6.4	-1.8	<u>2.5</u>	3.0	3.0	4.5	8.6	8.1	7.8	7.3
Venezuela	1.3	-1.0	2.5	2.3	<u>-8.5</u>	0.0	2.5	2.0	2.5	52.9	57.2	58.2	35.0
Asia/Pacific	4.6	4.6	4.8	4.5	5.3	<u>2.7</u>	5.0	5.0	4.8	3.2	3.3	2.9	3.3
Japan	1.5	1.5	1.5	0.3	6.7	<u>-4.5</u>	2.0	2.0	2.0	1.4	3.8	3.1	2.5
Australia	2.4	3.0	3.2	3.2	4.5	<u>0.4</u>	3.1	4.3	2.9	2.7	2.9	2.0	2.6
New Zealand	2.8	3.2	2.8	4.1	4.0	<u>0.8</u>	1.9	4.7	4.8	1.6	1.8	1.6	2.0
EM Asia	6.2	6.1	6.4	6.4	4.8	<u>6.0</u>	6.5	6.4	6.2	4.0	3.1	2.9	3.7
China	7.7	7.2	7.2	7.6	5.9	<u>7.2</u>	7.6	7.4	7.1	2.9	1.9	1.7	3.1
India	4.7	5.3	6.5	4.2	5.0	<u>5.3</u>	5.5	6.0	6.3	10.6	8.6	8.6	7.0
EM Asia ex China/India	4.0	4.0	4.6	5.1	2.3	<u>3.9</u>	4.7	4.6	4.4	3.3	3.2	3.0	3.5
Hong Kong	2.9	2.8	2.6	3.6	0.8	<u>3.0</u>	4.2	4.2	2.0	4.3	3.6	3.4	3.5
Indonesia	5.8	4.9	5.7	6.0	4.1	<u>5.0</u>	5.0	4.5	5.3	8.4	6.2	4.6	4.6
Korea	3.0	3.8	4.0	3.6	3.8	<u>2.6</u>	4.7	4.0	4.0	1.1	1.5	2.3	2.9
Malaysia	4.7	5.5	5.1	7.6	3.3	<u>3.8</u>	5.5	5.5	5.0	3.0	3.3	3.5	5.2
Philippines	7.2	6.0	6.4	6.1	4.9	<u>7.8</u>	5.7	5.7	6.6	3.5	4.0	3.6	3.8
Singapore	3.9	4.4	5.0	6.9	2.3	<u>4.5</u>	4.9	6.6	4.9	2.0	3.0	2.3	2.3
Taiwan	2.1	3.5	3.8	7.6	1.9	<u>3.5</u>	4.0	4.2	3.8	0.6	1.2	1.6	1.9
Thailand	2.9	1.1	4.2	0.5	-8.2	<u>3.5</u>	4.0	4.0	4.2	1.7	2.6	2.9	3.8
Western Europe	0.1	1.6	2.2	1.5	1.1	<u>2.0</u>	2.1	2.2	2.2	1.0	<u>0.8</u> ↑	0.9	1.3
Euro area	-0.4	1.2	2.0	1.0	0.7	<u>1.8</u>	2.0	2.0	2.0	0.8	<u>0.6</u> ↑	<u>0.8</u> ↑	1.1
Germany	0.5	2.3	2.3	1.5	3.3	<u>2.0</u>	2.5	2.5	2.3	1.3	<u>0.9</u> ↑	<u>1.1</u> ↑	<u>1.7</u> ↑
France	0.4	0.8	1.8	0.7	0.1	<u>1.0</u>	1.5	1.5	2.0	0.8	0.8	0.7	1.1
Italy	-1.8	0.4	1.5	0.5	-0.5	<u>1.5</u>	1.5	1.5	1.5	0.7	0.4	0.5	<u>0.9</u> ↓
Spain	-1.2	1.2	2.0	0.7	1.5	<u>1.5</u>	2.0	2.0	2.0	0.2	0.2	0.0	0.0
Norway	2.0	1.9	2.3	2.0	1.9	<u>2.0</u>	1.9	2.1	2.3	2.3	<u>1.8</u> ↓	<u>1.6</u> ↓	2.2
Sweden	1.6	2.2	2.5	6.5	-0.3	<u>2.3</u>	2.5	2.5	2.5	0.1	-0.1	<u>0.2</u> ↓	1.5
United Kingdom	1.7	3.0	3.0	2.6	3.3	<u>3.0</u>	2.5	3.0	3.3	2.1	1.6	1.6	2.1
EMEA EM	2.0	1.8	2.7	3.2	<u>0.6</u> ↑	<u>0.7</u>	2.4	2.3	2.9	5.1	5.7	5.1	4.2
Czech Republic	-0.9	2.8	2.8	6.1	<u>3.2</u> ↑	<u>1.8</u> ↓	2.0	2.3	4.2	1.1	0.7	1.8	1.5
Hungary	1.1	3.0	2.5	2.7	4.5	<u>2.3</u>	2.0	2.5	3.0	0.7	0.0	1.0	2.7
Israel	3.4	3.3	3.8	3.2	2.7	<u>3.3</u>	3.6	4.5	3.2	1.9	1.0	1.3	1.9
Poland	1.6	3.2	3.2	2.8	4.5	<u>2.0</u>	3.0	3.5	3.5	0.7	-0.1	0.3	2.0
Romania	3.5	3.2	3.5	5.5	0.2	<u>3.0</u>	2.0	1.6	4.5	1.8	1.3	3.6	3.4
Russia	1.3	0.5	1.8	2.6	-3.4	<u>-0.5</u>	2.3	2.0	2.0	6.4	7.4	6.1	4.4
South Africa	1.9	1.8	3.2	3.8	-0.6	<u>0.9</u>	4.5	3.8	2.9	5.4	6.5	6.3	5.4
Turkey	4.0	3.0	4.1	3.5	7.0	<u>0.8</u>	1.2	0.8	4.1	7.5	9.1	8.1	6.3
Global	2.4	2.6	3.3	2.9	<u>1.4</u>	<u>2.2</u> ↓	3.3	3.4	3.4	2.3	2.6	2.6	2.6
Developed markets	1.2	1.6	2.4	1.9	0.5	<u>1.2</u> ↓	2.5	2.6	2.6	1.2	<u>1.9</u> ↑	1.9	1.8
Emerging markets	4.6	4.3	4.9	4.7	<u>3.0</u>	4.0	4.8	4.8	4.9	4.3	4.0	3.8	4.0

Source: J.P. Morgan

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