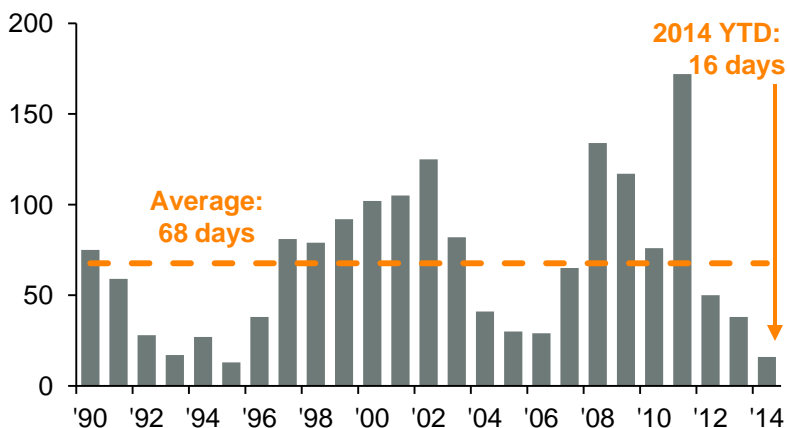


Thought of the week

Much attention has been paid over the last few weeks to the current low levels of market volatility, with the VIX index reaching its lowest point in 7 years last week. However, this week's chart considers a simpler measure of market volatility. So far this year the S&P 500 has delivered only 16 days of +/- 1% price movements, well below the long term average of 68. Although volatility may seem surprisingly low the current calm in the markets is hardly unprecedented. In fact such low levels of volatility are common during mid-cycle economic recoveries. Investors should not become complacent as this tranquility will not last forever. As central banks begin to revert to more orthodox monetary policies and drain the excess liquidity from markets, it is likely that the market volatility will make a sudden return.

Number of +/- 1% movement days

S&P 500 daily movements since 1990



Source: S&P, FactSet, J.P. Morgan Asset Management. Data as at 11 June 2014.

Week ahead

Day	Country	Event	Period	Survey	Prior
Mon	US	Industrial Production (m/m)	May	0.5%	-0.6%
Tue	Germany	ZEW Survey	Jun	33.8	33.1
	UK	CPI (y/y)	May	1.7%	1.8%
	US	CPI (m/m)	May	0.2%	0.3%
	US	Housing Starts	May	1028K	1072K
Wed	US	US Rates Announcement	Jun	0.25%	0.25%
Thurs	UK	Retail Sales (y/y)	May	0.7%	0.6%
	US	Jobless Claims	Jun	310K	317K
Fri	Germany	PPI (m/m)	May	0.0%	-0.1%

Market statistics

Equities	Change (%)		
	Week ago	YTD	Year ago
MSCI Europe	-0.5	6.7	20.6
DAX	-0.7	3.8	22.5
CAC 40	-0.8	8.4	23.8
IBEX	0.4	14.3	44.8
FTSE MIB	-0.6	18.7	41.8
FTSE 100	-1.1	2.4	11.3
S&P 500	-0.6	5.8	20.8
TOPIX	0.8	-3.5	21.5
MSCI EM	0.8	4.8	15.2
MSCI China	2.7	-0.6	15.5
MSCI Brazil	3.0	6.7	12.6
MSCI AC World	-0.3	5.2	20.4
Energy	1.9	11.7	23.8
Materials	-0.9	2.7	14.4
Industrials	-1.1	3.2	23.6
Cons Discr	-0.9	-0.1	20.0
Cons Staples	-0.2	4.9	11.8
Healthcare	-0.3	8.9	23.7
Financials	-0.5	3.9	18.6
Technology	0.1	6.9	26.9
Telecom Svc	-0.2	2.2	20.1
Utilities	-0.5	12.5	18.9
Value	0.0	6.2	20.6
Growth	1.2	4.7	20.4

Fund flows (\$bn)	w/e 06/06	w/e 30/05	4 wk ma
Equity	2.1	-2.5	-0.2
Fixed income	0.4	1.2	1.5
Money market	-7.2	3.4	-2.7

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.

Bond spreads	Level		Change (bps)	
	13/06	Week ago	YTD/YE	Year ago
Global IG	102	-1	-17	-44
EMBI+ (USD)	286	10	-48	-32
Global High Yld	357	-6	-54	-161

Bond yields (10 yr)

	Level	Week ago	YTD/YE	Year ago
UK	2.74	9	-28	62
Germany	1.36	1	-58	-19
USA	2.61	2	-43	45
Japan	0.60	1	-13	-27
EMD* (local fx)	6.53	5	-32	42

Commodities

	Level	Change (%)		
Brent \$/bbl	113	4.4	2.4	8.8
Gold \$/oz	1,273	2.0	5.7	-8.1
Copper \$/lb	3.03	-0.7	-11.9	-4.9

Currency

	Level			
\$ per €	1.35	1.36	1.38	1.33
£ per €	0.80	0.81	0.83	0.85
\$ per £	1.70	1.68	1.66	1.57
¥ per €	138	140	145	125
¥ per \$	102	103	105	94
CHF per €	1.22	1.22	1.23	1.23

Volatility (%)

	Level	Week ago	YTD/YE	Year ago
VIX	12	11	14	16

Macro	GDP (%)†	CPI (%)	Valuation	Fwd P/E
Eurozone	0.7	0.5	MSCI Europe	14.5
UK	3.3	1.8	FTSE 100	13.7
US	-1.0	2.0	S&P 500	15.5
Japan	6.7	3.4	MSCI EM	11.1
China	5.7	2.5	MSCI World	15.0

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Unless otherwise stated, all data is as of 13/06/2014.

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.