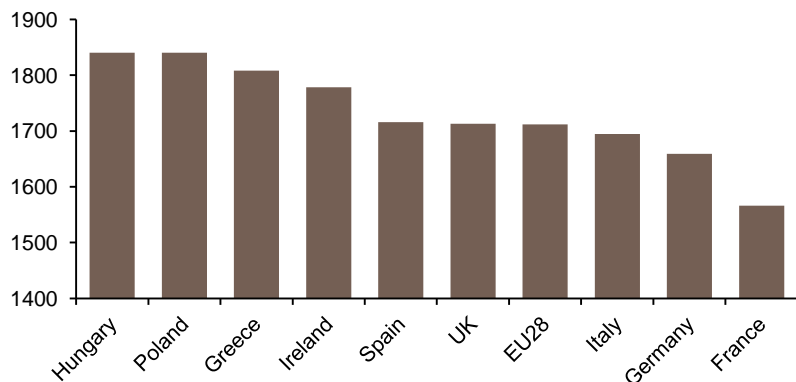


Thought of the week

The strikes in France last week should serve as a reminder that reform can significantly impact economic activity. In 2000, the French government cut the workweek from 39 hours to 35 hours without a reduction in pay to encourage both consumer spending and corporate hiring. While this idea had its merits, unfortunately, stronger spending and hiring did not materialise. Furthermore, as shown in this week's chart, French workers worked fewer hours than many of their neighbours in 2013, and although some believe that returning to a 39 hour work week would generate additional headwinds for the economic recovery, others maintain that lower wages and a longer work week are necessary for France to regain competitiveness. The reality of the situation is that reform is difficult, and social downgrades will be necessary for competitiveness to return to France; however, this is something that will not be accepted easily.

Lower annual working hours may be holding back the recovery

Average collectively agreed normal annual working time, hours, 2013



Sources: EIRO, J.P. Morgan Asset Management. Data as at 27 June 2014.

Week ahead

Day	Country	Event	Period	Survey	Prior
Mon	Germany	Retail Sales (y/y)	May	1.0%	3.4%
	Italy	CPI (y/y)	Jun	0.4%	0.4%
Tue	Eurozone	Unemployment Rate	May	11.7%	11.7%
	US	ISM Manufacturing Index	Jun	55.5	55.4
Wed	Eurozone	1Q GDP (y/y)	1Q	0.9%	0.9%
	US	Factory Orders	May	0.0%	0.7%
Thurs	Eurozone	ECB rates announcement	Jul	0.15%	0.15%
	Eurozone	Retail Sales (y/y)	May	1.2%	2.4%
	US	Employment Situation	Jun	208K	217K
Fri	US Markets Closed				

Market statistics

Equities	Change (%)		
	Week ago	YTD	Year ago
MSCI Europe	-1.6	5.5	20.4
DAX	-1.7	2.8	22.8
CAC 40	-2.2	6.0	21.9
IBEX	-1.8	12.9	46.9
FTSE MIB	-2.6	14.7	42.1
FTSE 100	-1.0	2.1	12.1
S&P 500	-0.1	7.2	24.1
TOPIX	-1.2	-2.7	16.3
MSCI EM	-0.3	4.3	16.0
MSCI China	0.3	-0.8	18.3
MSCI Brazil	-2.8	3.4	14.2
MSCI AC World	-0.5	5.7	21.6
Energy	-1.0	12.5	26.9
Materials	-0.6	4.0	20.2
Industrials	-1.3	2.8	23.3
Cons Discr	0.4	1.0	20.4
Cons Staples	-1.2	4.8	12.0
Healthcare	-0.1	10.9	26.3
Financials	-1.0	3.2	18.1
Technology	0.4	7.8	30.1
Telecom Svc	-0.2	1.9	17.9
Utilities	0.4	15.1	21.7
Value	-0.7	6.6	21.7
Growth	-0.3	4.8	21.6

Fund flows (\$bn)	w/e 20/06	w/e 13/06	4 wk ma
Equity	-0.9	0.2	-0.3
Fixed income	3.7	1.5	1.5
Money market	-31.3	2.6	-8.1

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.

Bond spreads	Level		Change (bps)	
	27/06	Week ago	YTD/YE	Year ago
Global IG	103	1	-16	-52
EMBI+ (USD)	283	-3	-51	-65
Global High Yld	361	11	-50	-171

Bond yields (10 yr)

	Level	Week ago	YTD/YE	Year ago
UK	2.64	-12	-38	21
Germany	1.26	-8	-68	-46
USA	2.54	-7	-50	6
Japan	0.55	-2	-17	-28
EMD* (local fx)	6.54	-4	-31	10

Commodities

	Change (%)			
Brent \$/bbl	113	-1.3	2.3	10.2
Gold \$/oz	1,318	0.4	9.4	6.9
Copper \$/lb	3.15	1.0	-8.5	3.2

Currency

	Level			
\$ per €	1.36	1.36	1.38	1.30
£ per €	0.80	0.80	0.83	0.86
\$ per £	1.70	1.70	1.66	1.52
¥ per €	138	139	145	128
¥ per \$	101	102	105	99
CHF per €	1.22	1.22	1.23	1.23

Volatility (%)

	Level	Week ago	YTD/YE	Year ago
VIX	11	11	14	17

Macro	GDP (%)†	CPI (%)	Valuation	Fwd P/E
Eurozone	0.7	0.5	MSCI Europe	14.2
UK	3.3	1.5	FTSE 100	13.5
US	-2.9	2.1	S&P 500	15.6
Japan	6.7	3.7	MSCI EM	11.0
China	5.7	2.5	MSCI World	15.0

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Unless otherwise stated, all data is as of 27/06/2014. 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.