

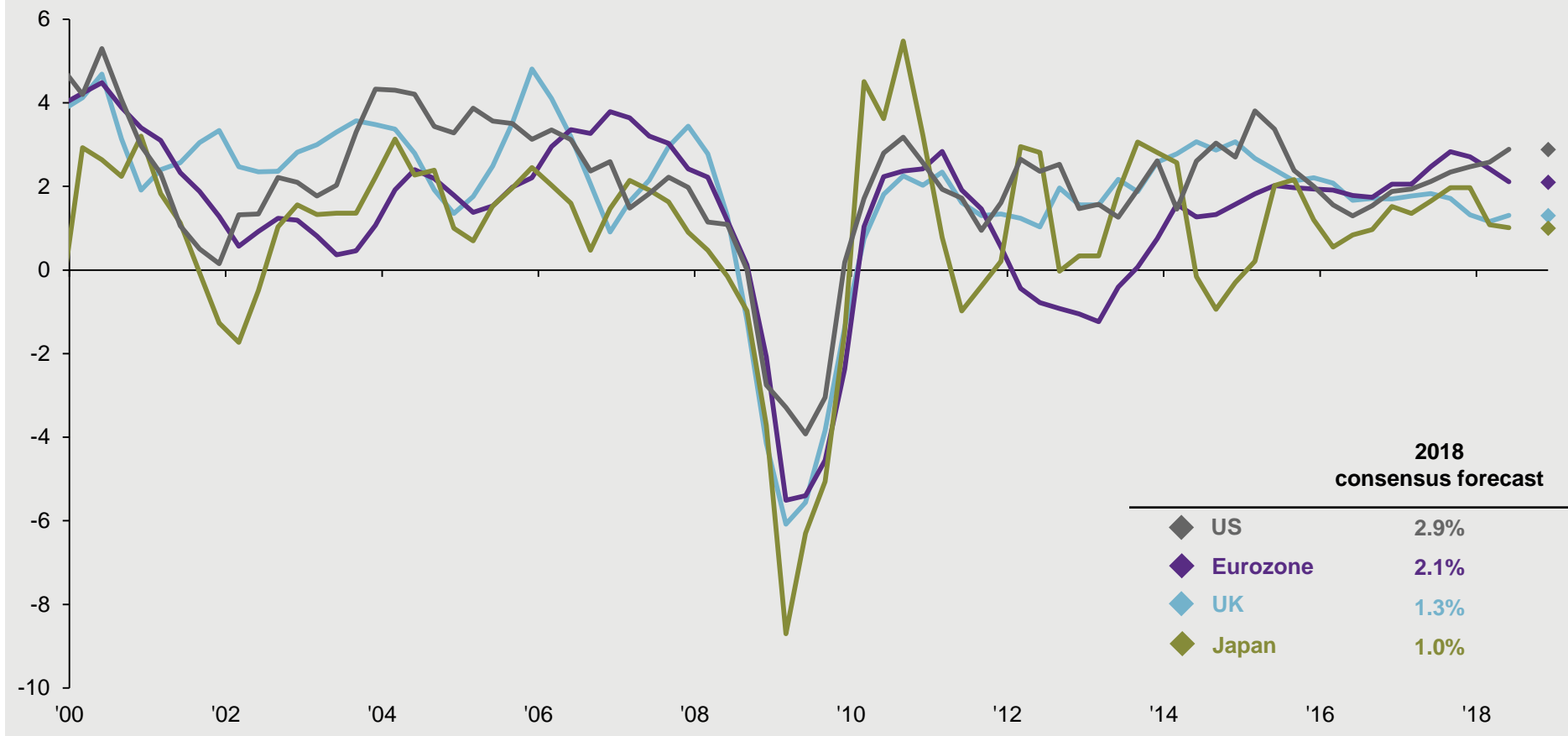
Guide to the Markets

UK | Q3 2018 | As of 31 August 2018

J.P. Morgan

Real GDP growth

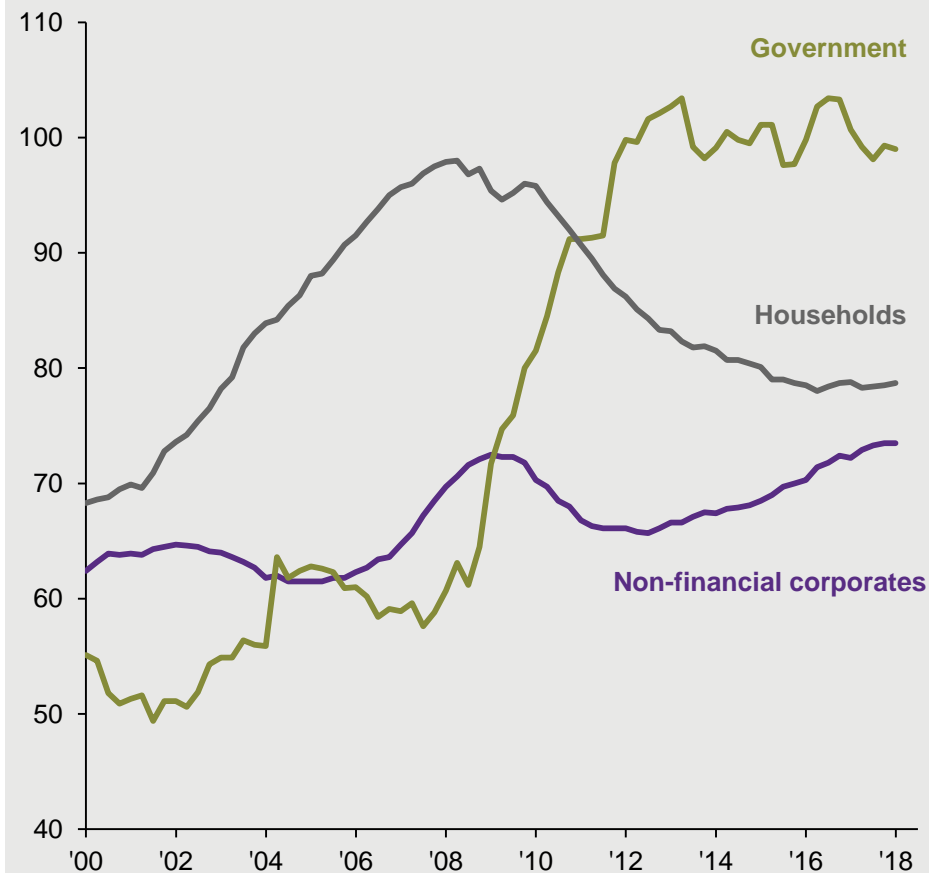
% change year on year



Source: BEA, Bloomberg, Eurostat, Japan Cabinet Office, ONS, Thomson Reuters Datastream, J.P. Morgan Asset Management. Forecasts are from Bloomberg contributor composite. Past performance is not a reliable indicator of current and future results. *Guide to the Markets - UK*. Data as of 31 August 2018.

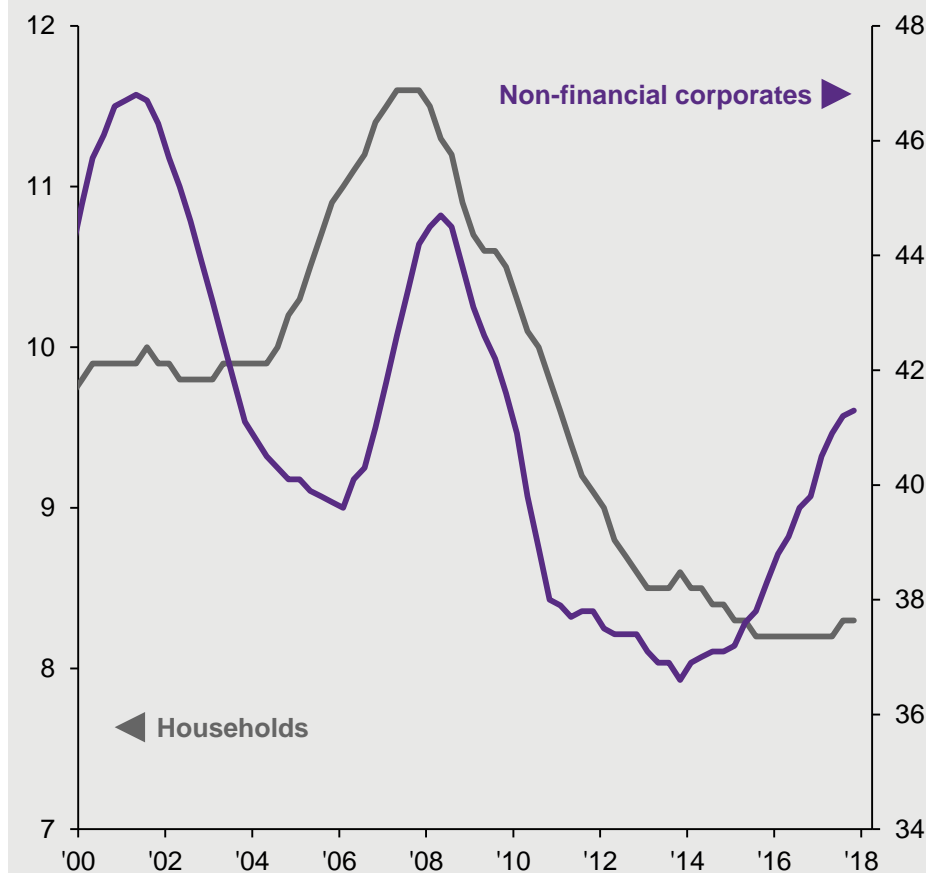
US debt to GDP ratios

% of nominal GDP



US debt service ratios

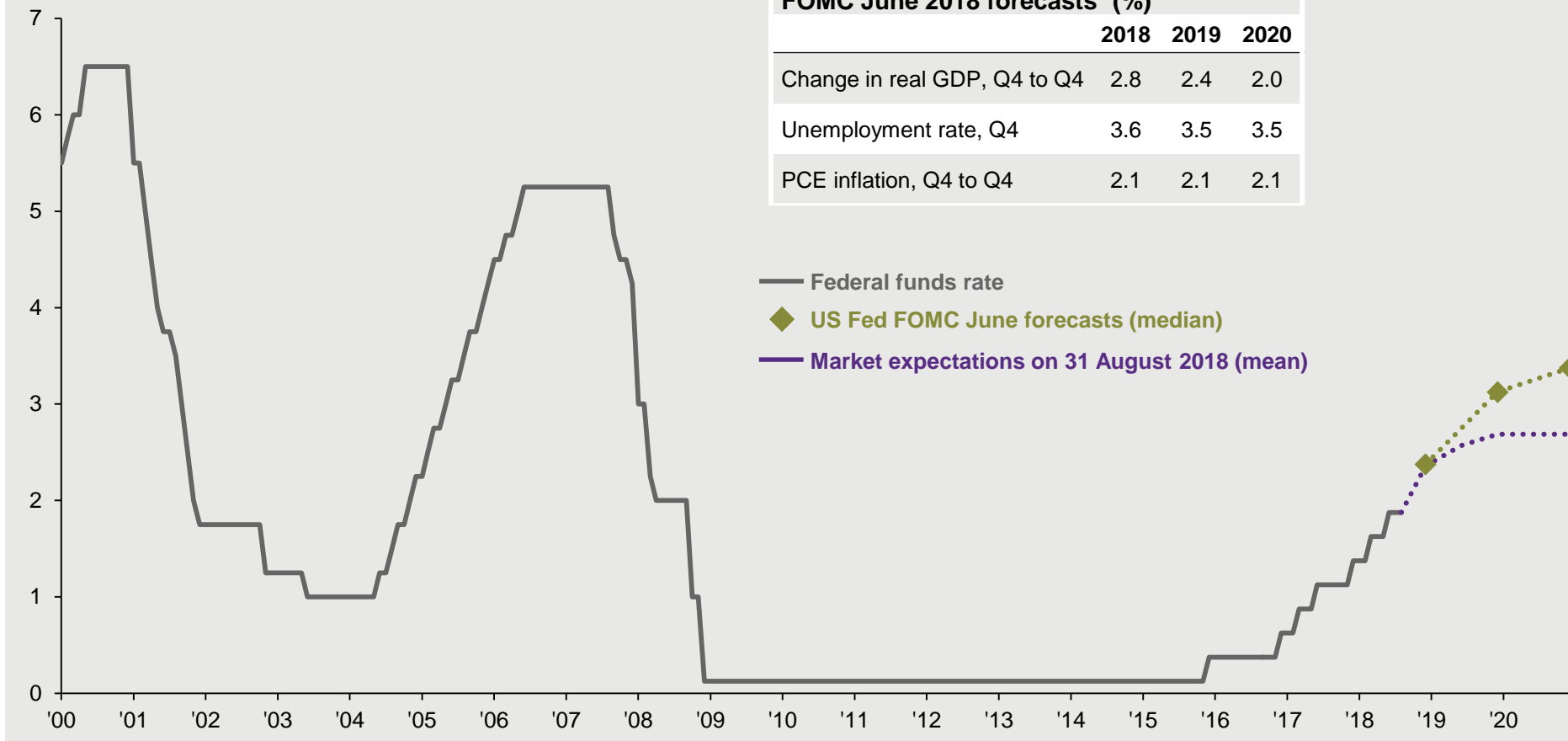
% of disposable income



Source: (All charts) Bank for International Settlements, Thomson Reuters Datastream, J.P. Morgan Asset Management. Debt refers to gross debt. For the household sector, gross disposable income is the amount of money that all of the individuals in the household sector have available for spending or saving after income distribution measures (for example, taxes, social contributions and benefits) have taken effect. For the non-financial corporate sector gross disposable income is essentially akin to gross operating surplus before dividends or interest is paid. Past performance is not a reliable indicator of current and future results. *Guide to the Markets - UK*. Data as of 31 August 2018.

Federal funds policy rate expectations

% Fed funds rate, FOMC and market expectations



Source: Bloomberg, US Federal Reserve, J.P. Morgan Asset Management. *Forecasts are median estimates of Federal Open Market Committee (FOMC) participants. Market expectations are calculated using OIS forwards. Past performance is not a reliable indicator of current and future results. *Guide to the Markets - UK*. Data as of 31 August 2018.

US unemployment rate and wage growth

%, wage growth is year on year



Source: BEA, Thomson Reuters Datastream, J.P. Morgan Asset Management. Wage growth is average hourly earnings of total private production and non-supervisory employees. Past performance is not a reliable indicator of current and future results. *Guide to the Markets - UK*. Data as of 31 August 2018.

Annual change in general government cyclically-adjusted primary balance

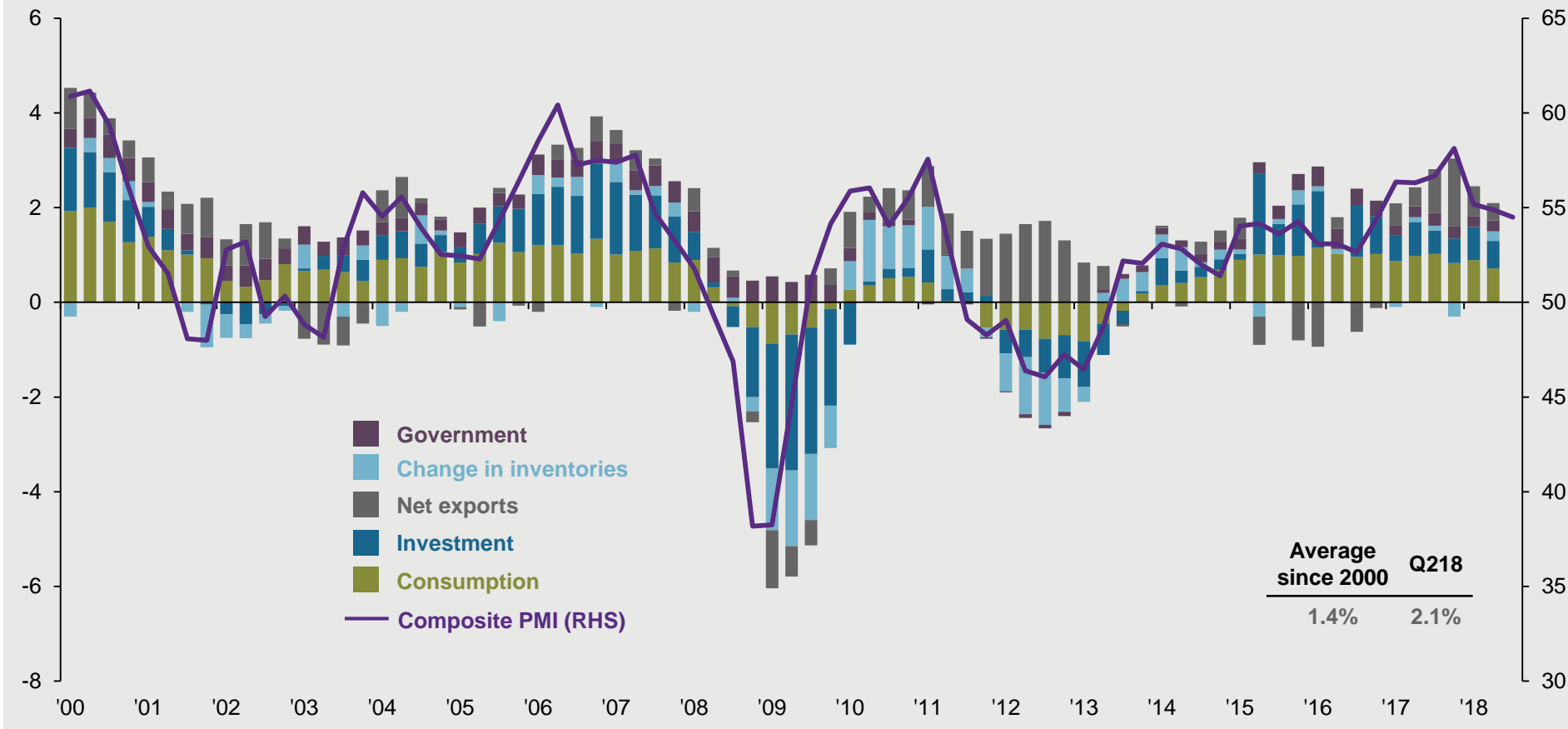
Percentage points of GDP



Source: IMF, Thomson Reuters Datastream, J.P. Morgan Asset Management. Cyclically-adjusted primary balance is defined as the fiscal balance adjusted for the cycle, excluding net interest payments. It is a commonly used measure of discretionary fiscal policy. Projections are based on IMF staff assessment of current policies. Short-term fiscal policy assumptions are based on officially announced budgets (adjusted for IMF staff macroeconomic assumptions), whilst medium-term fiscal projections incorporate policy measures that are judged likely to be implemented. US projections incorporate the effects of tax reform as well as the Bipartisan Budget Act of 2018. Past performance is not a reliable indicator of current and future results. *Guide to the Markets - UK*. Data as of 31 August 2018.

Contribution to eurozone real GDP growth and composite PMI

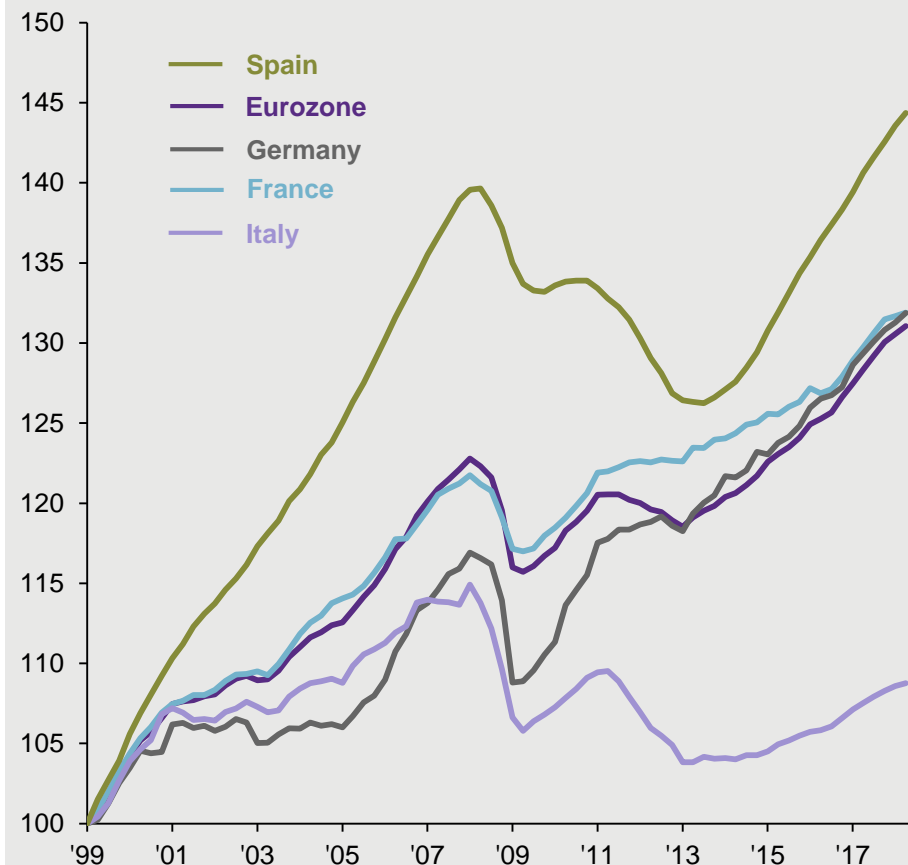
% change year on year (LHS); index level (RHS)



Source: Eurostat, Markit, Thomson Reuters Datastream, J.P. Morgan Asset Management. PMI is Purchasing Managers' Index where a score of 50 indicates that economic activity is neither expanding nor contracting, above 50 indicates expansion. PMI data is shown with quarterly frequency. Past performance is not a reliable indicator of current and future results. *Guide to the Markets - UK*. Data as of 31 August 2018.

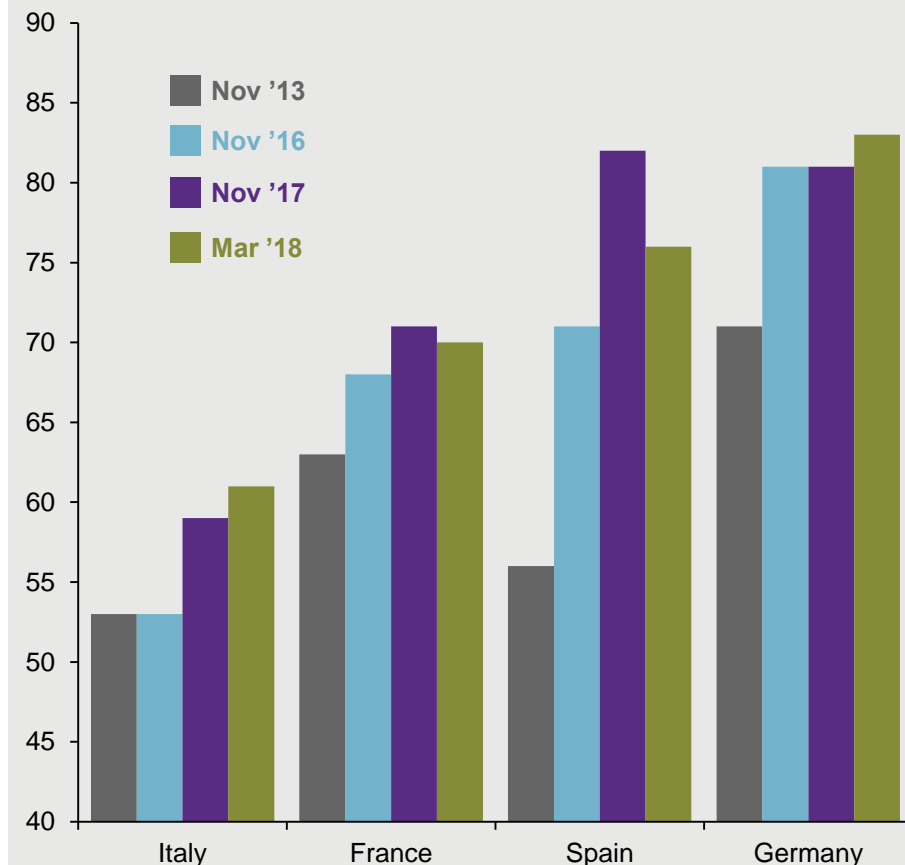
Eurozone real GDP levels

Index level rebased to 100 in 1999



Survey results: Do you support the euro?

% answering "yes"



Source: (Left) Eurostat, Thomson Reuters Datastream, J.P. Morgan Asset Management. (Right) Eurobarometer survey, J.P. Morgan Asset Management. Past performance is not a reliable indicator of current and future results. *Guide to the Markets - UK*. Data as of 31 August 2018.

Trade tensions summary

US & China



Date	US action	Details
Feb 2018	Solar panel & washing machines – now effective	20-50% tariff (USTR recommended, Trump signed)
Mar 2018	Steel & aluminium imports – now effective	25% tariff on steel 10% tariff on aluminium (Section 232)
Jun-Aug 2018	\$50bn imports from China – now effective (\$34bn + \$16bn)	25% tariff on 1,300 Chinese products, intermediate inputs, equipment. (Section 301)
Jul 2018	\$200bn additional imports from China – under consultation	10% tariffs, threats to increase to 25%. Consultation concludes Sept 5. Implementation could be Sep-Oct
2018	\$200bn foreign made autos - mooted	
2018	\$250bn more imports from China - mooted	
Date	China reaction	Details
Apr 2018	\$2.4bn of US goods - now effective	15-25% tariff on steel, pork, and a wide range of US goods
Jun-Aug 2018	\$50bn imports from US - now effective (\$34bn + \$16bn)	25% tariff on wide range of goods such as agriculture, autos, seafood
Aug 2018	\$60bn more goods from US – proposed/warned	5-25% tariff

US & Europe



Date	US action	Details
Mar 2018	Steel & aluminium imports – now effective	25% tariff on steel 10% tariff on aluminium
Mar - Jul 2018	Autos from Europe – proposed, but now shelved	20-25% tariff (Section 232)
Date	Europe reaction	Details
Mar 2018	\$3.2bn steel & aluminium imports from US – now effective	25% tariff on steel & aluminium
Mar - Jul 2018	\$300bn of US goods– proposed, but now shelved	25% tariffs on bourbon, jeans and motorbikes etc

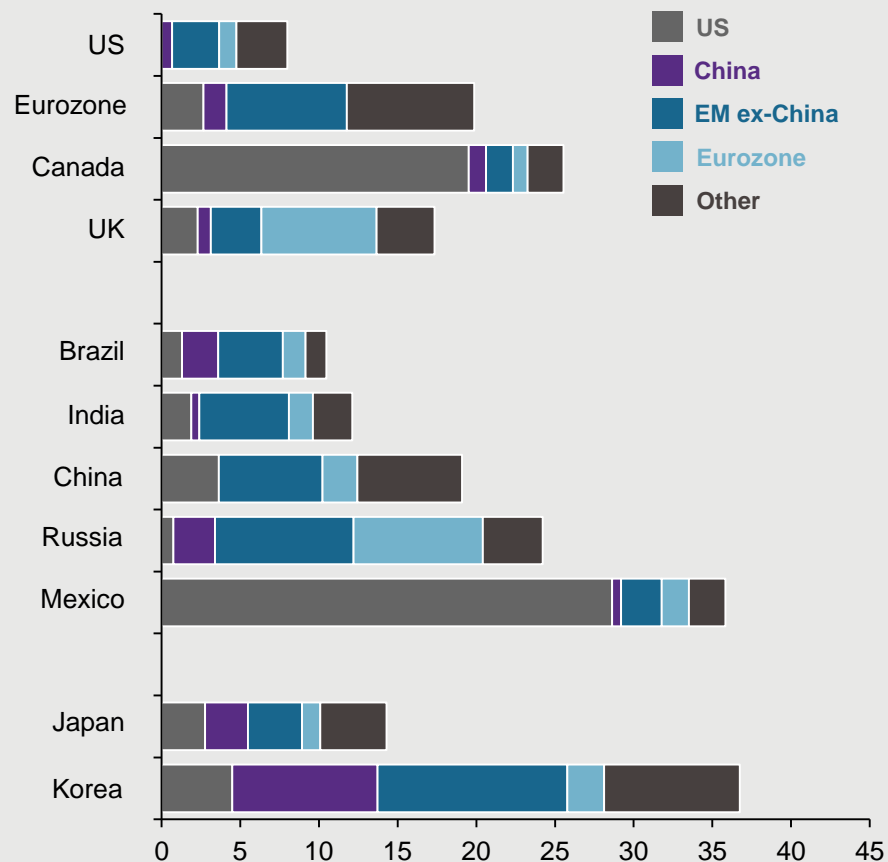
US, Mexico & Canada



Date	US action	Details
Mar 2018	Steel & aluminium imports – now effective	25% tariff on steel 10% tariff on aluminium
Date	Mexico & Canada reaction	Details
June 2018	\$3bn imports from US – now effective	15-25% tariff on pork, agriculture, cheese, bourbon
July 2018	Canada: \$12.8bn tariffs on US products - now effective	10-25% tariffs on steel, iron & consumer goods

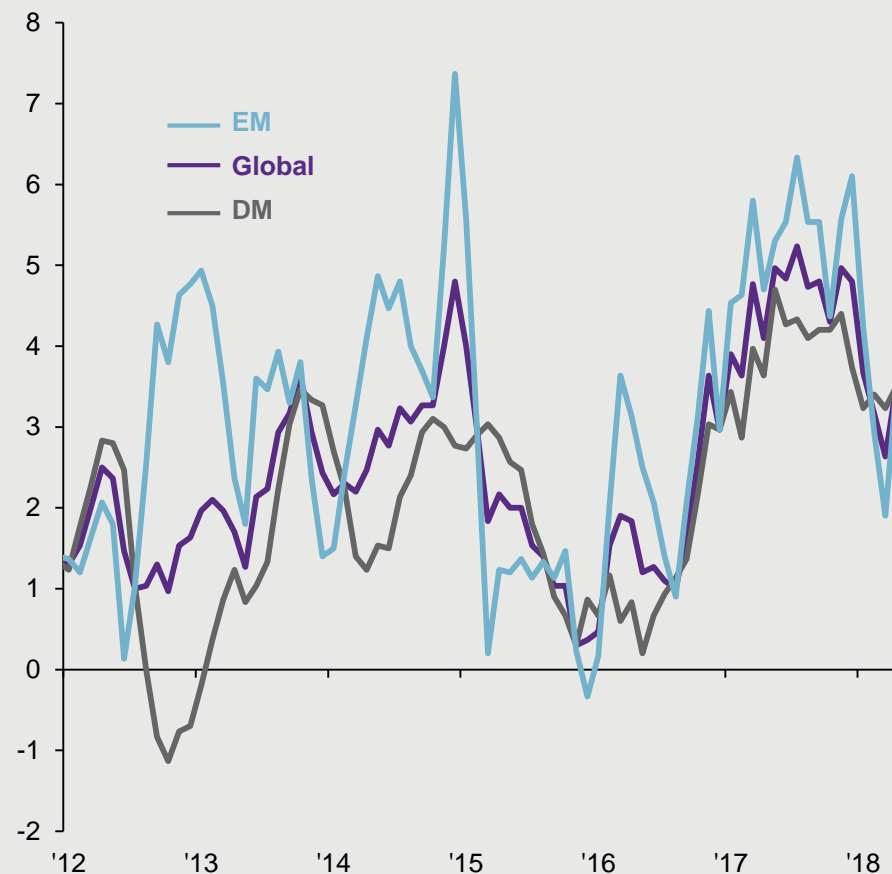
Exports of goods

% of GDP, 2017



Global export volumes

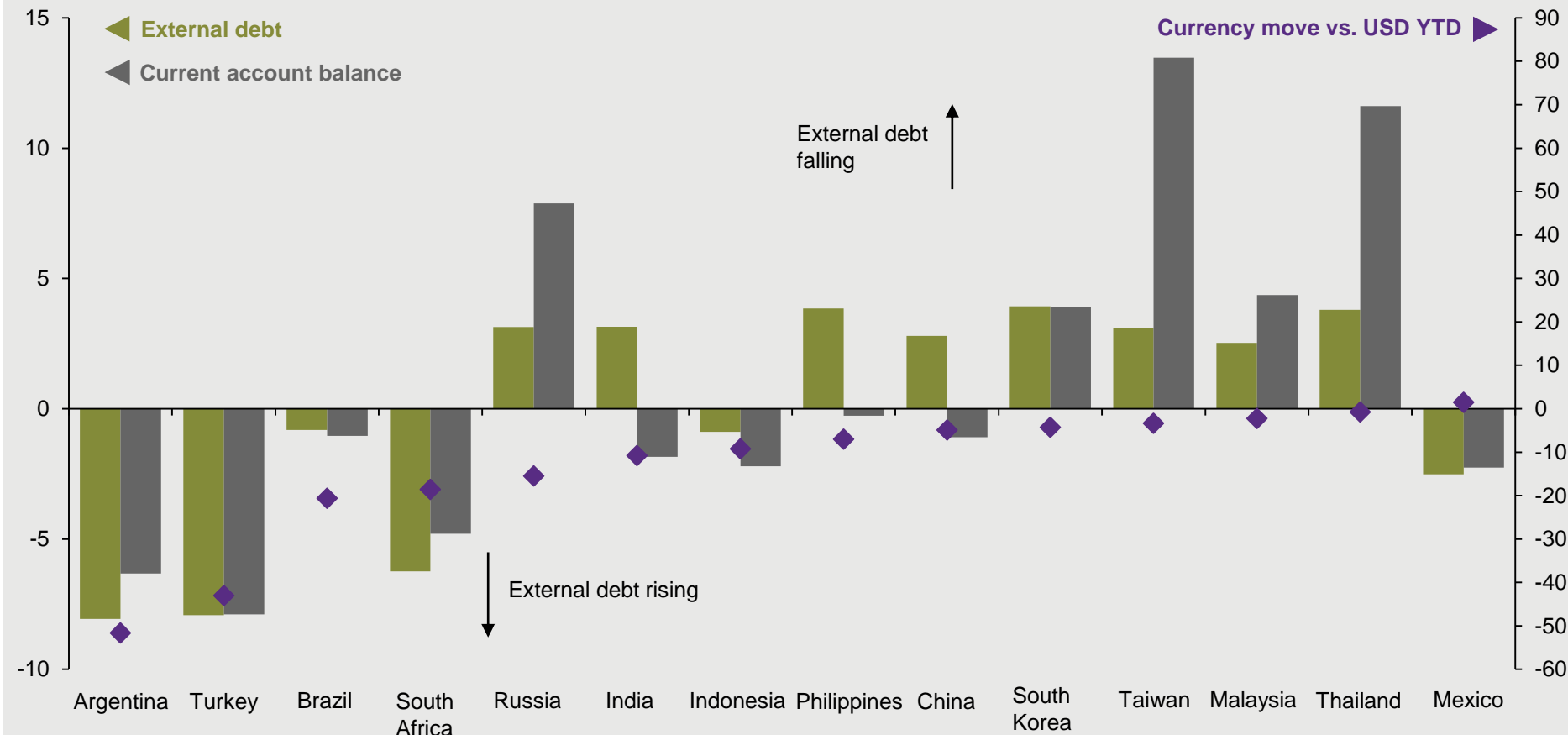
% change year on year, three-month moving average



Source: (Left) IMF Direction of Trade, IMF World Economic Outlook October 2017, J.P. Morgan Asset Management. (Right) CPB Netherlands, Thomson Reuters Datastream, J.P. Morgan Asset Management. Past performance is not a reliable indicator of current and future results. *Guide to the Markets - UK*. Data as of 31 August 2018.

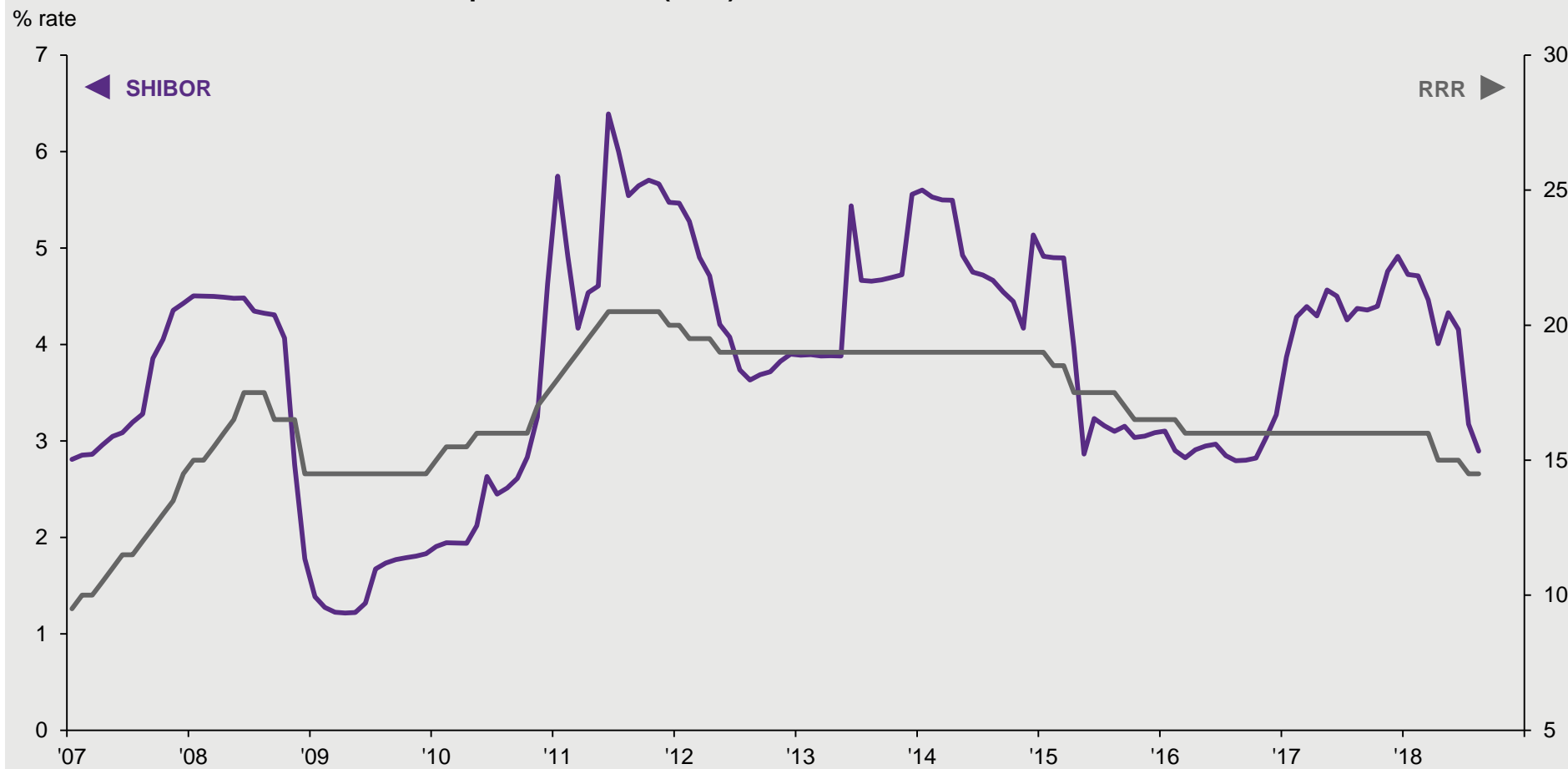
EM currency moves, current account balances and improvements in external debt

% of nominal GDP, external debt is change in 4Q average vs. 3 years ago (LHS); % change YTD (RHS)



Source: Bloomberg, Oxford Economics, Thomson Reuters Datastream, J.P. Morgan Asset Management. Current account balance and external debt are as of the end of the first quarter of 2018. Past performance is not a reliable indicator of current and future results. *Guide to the Markets - UK*. Data as of 31 August 2018.

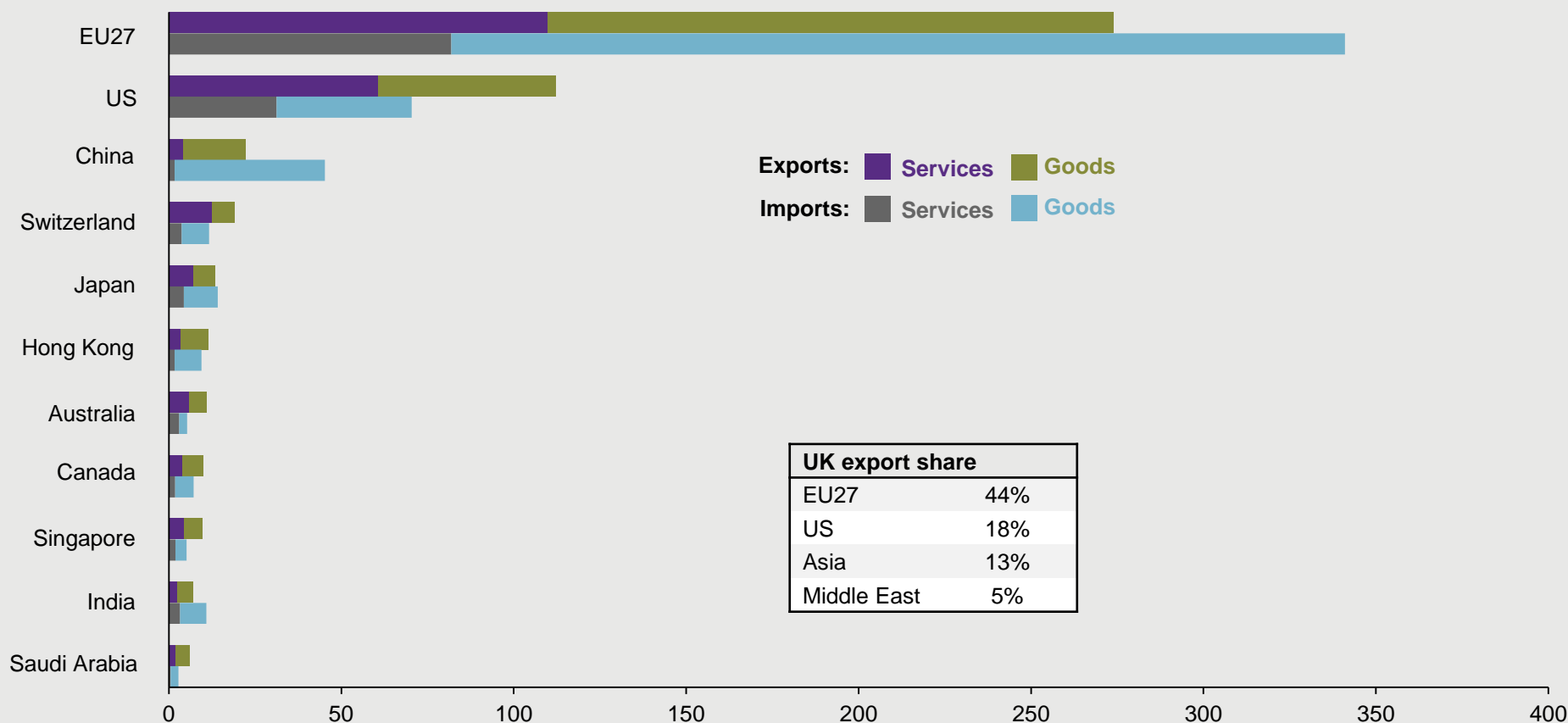
China interbank rate and reserve requirement ratio (RRR)



Source: PBoC, Thomson Reuters Datastream, J.P. Morgan Asset Management. Average RRR for large and small banks. SHIBOR is the 3-month interbank rate. Past performance is not a reliable indicator of current and future results. *Guide to the Markets - UK*. Data as of 31 August 2018.

UK exports and imports of goods and services

GBP billions



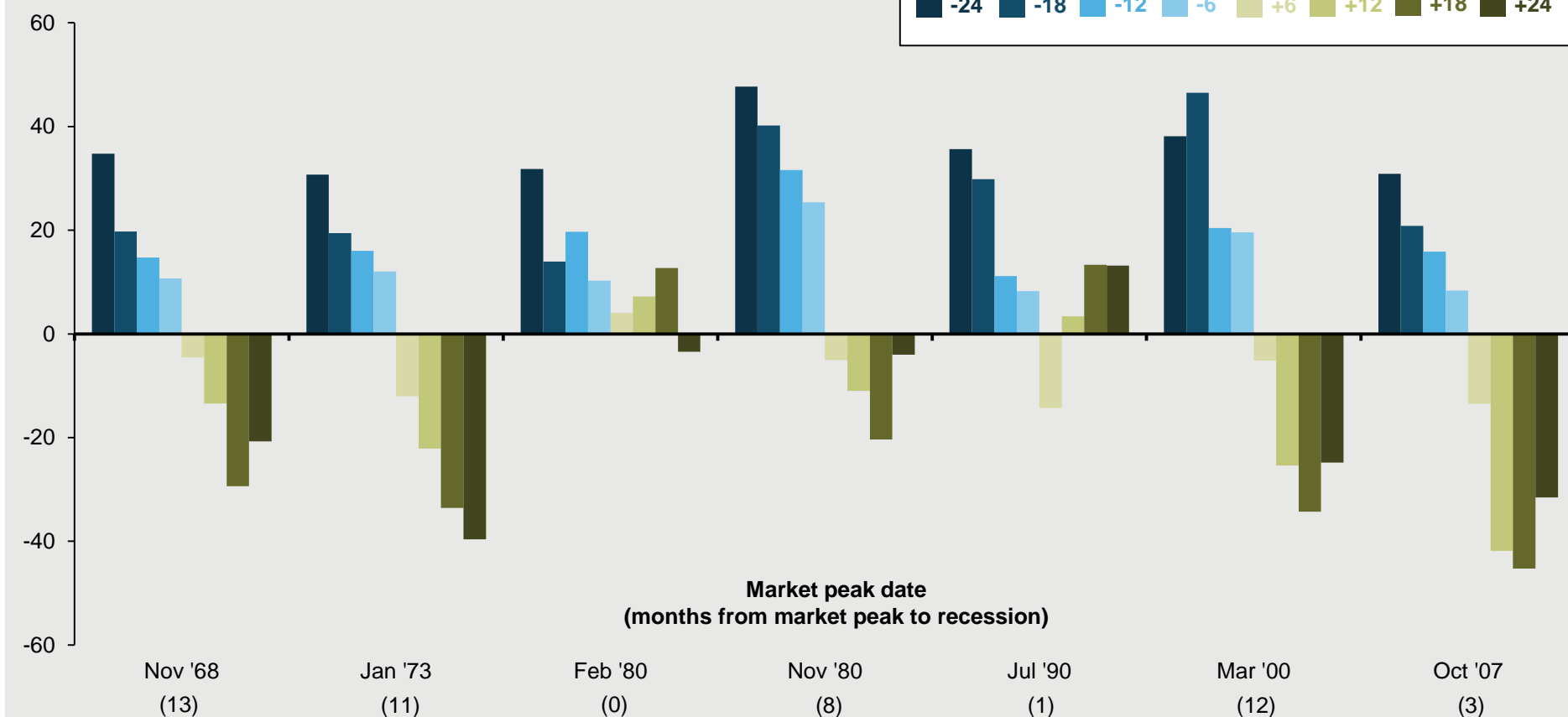
UK export share	
EU27	44%
US	18%
Asia	13%
Middle East	5%

Source: UK ONS Pink Book, J.P. Morgan Asset Management. Data is latest available, measured at end of 2017. Middle East includes Israel, Saudi Arabia, residual Gulf Arabian countries and other near and middle eastern countries. Asia includes China, Hong Kong, India, Indonesia, Iran, Japan, Malaysia, Pakistan, Philippines, Singapore, South Korea, Taiwan and Thailand. Past performance is not a reliable indicator of current and future results. *Guide to the Markets - UK*. Data as of 31 August 2018.

Late cycle US equity returns

S&P 500 returns around market peaks

% price return, before and after market peak



Source: Standard and Poor's, Thomson Reuters Datastream, J.P. Morgan Asset Management. Market peaks are defined as the peak of the S&P 500 prior to a US recession, as defined using US National Bureau of Economic Research (NBER) business cycle dates. Past performance is not a reliable indicator of current and future results. Data as of 31 August 2018.

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Unless otherwise stated, all data as of 31 August 2018 or most recently available.

Guide to the Markets - UK

JP-LITTLEBOOK

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