By the Research & Investment Strategy team

1 July 2016

The good, the 'muddle through' and the ugly

Life after Brexit: uncertainty prevails, reduce risk further

Key points

- **Our baseline scenario, which assumes a marginally slower growth suggests no material changes to our asset allocation.** We recommend some changes within the asset classes. The level of uncertainty post Brexit has increased for Europe. We keep an overall prudent stance with an underweight in equities and an overweight in credit but lift cash back to neutral. We suggest reducing euro and Emerging European equities to underweight. Within fixed income we move US Treasuries to overweight but take profits as far as euro sovereign spreads and gilts are concerned following the sharp decline.

- **Europe muddles through:** the Brexit vote has created a large uncertainty for the UK and some, albeit limited, for the rest of Europe. Our growth forecasts have been reduced by 2pp by end 2017 for the UK and 0.3pp for Europe. We believe the BoE will lower rates to zero and embark on QE in H2 this year. We do not expect the ECB to do more than expanding QE by six months without changing the capital key. Meanwhile, the level shift in uncertainty should conduct the US Fed to slow down rate normalization and not lift rates before December.

- **Downside Risk:** political risks materialise which could test macro policy and lead to a more marked slowdown. In that scenario, the European central bank would ease more substantially. The Fed would refrain from hiking rates.

- **Upside risk:** A swift negotiation process preserves a strong UK partnership with the EU. Risk aversion would fade rapidly. Safe haven bond yields would rise back to pre-Brexit levels and equities would stage a temporary come-back.

Exhibit 1

Brexit scenarios in numbers

Country		Baseline scenario		Downside scenario		Upside scenario	
GDP (in %)							
		2016	**2017**	**2016**	**2017**	**2016**	**2017**
US		1.7	2.1	1.6	1.8	1.7	2.1
Euro		1.5	1.2	1.4	0.6	1.5	1.4
UK		1.5	0.4	1.3	-0.5	1.5	0.6
Monetary policy							
		2016	**2017**	**2016**	**2017**	**2016**	**2017**
US		+25bps	+25bps	no hike, + QE4	no hike, + QE4	+25bps	+50bps
Euro		QE extended for 6 to 9 months		QE: €90bn, extended until end-2017		QE extended for 6 months	
UK		-50bps QE: £50-100bn		-50bps QE £150-250bn		-50bps no QE	
	Current	**10-year bond yields** (levels, in %)					
US	1.43	1.5 to 1.8		1.0 to 1.2		1.6 to 1.8	
Bunds	-0.08	-0.2		-0.4		0.1 to 0.2	
UK	0.89	0.9 to 1.3		0.5 to 0.8		0.8	
	Current	**IG credit spreads** (in bps)					
US	162	+170		+220		+155	
Euro	137	+150		+275		+125	
UK	196	+200		+295		+180	
Stock market returns (in %)							
Global markets		-5		-20		+10	
	Current	**FX versus USD**					
EUR	1.11	1.08		1.05		1.10	
GBP	1.33	1.27		1.25		1.35	

Source: AXA IM Research – As of 01/07/2016

Recommended asset allocation

Global allocation	Short term (3-6M)	Medium term (12-24M)
Cash	▲ =	=
Equities	● (red)	● (red)
Government bonds	=	● (green)
Credit	● (green)	=

▲/▼ Changes of the month

Source: AXA IM Research

United Kingdom political outlook: uncertainty will prevail for several months

Uncertainty is likely to prevail in the short run. Prime Minister Cameron quickly announced that he would stand down as Prime Minster to allow for "fresh leadership", leaving the activation of Article 50 of the Lisbon treaty, the EU's de facto exit clause, to his successor, who should be known by 9 September. Given the two-year negotiation period, late 2018/early 2019 appears the soonest date for a new agreement. However, the risk of significant delay to the implementation of Article 50 is high. In the end, we believe the UK would remain closely connected to the EU, but the timeline to deliver this outcome is likely to remain unclear for some time.

In spite of political uncertainty at party levels (including a process to determine the successor to Prime Minister Cameron and turmoil in the Labour party) early elections in the UK (not scheduled until May 2020) seem unlikely at this stage. Under the 2011 Fixed-term Parliament Act the only ways of enacting early elections are a vote of no confidence in the government or a two-third majority. The former is likely to prove difficult in the short-term with a new leadership team put forward to deliver the "will of the people". The latter requires a majority in Parliament to think it could do better than the current position. Yet for Conservative and Labour parties alike, the risk would be to concede more votes to other parties if new elections were seen to be trying to circumvent the referendum's outcome. But given the scale of uncertainty, one might not rule it out over the coming years.

Europe: three scenarios

In this strategy note we explore three different scenarios, and discuss economic consequences and possible market reactions (*Exhibit 1*).

Our baseline: Europe muddles through

Usual European politics

The EU has reacted swiftly to prevent a wave of other referenda and negotiations by launching a reflection on the future of EU, to be published by March 2017.

Ultimately, we expect the lack of ambition to prevail and lead to a future of progressive re-nationalisation of several EU policies overall. This should not prove sufficient to play a role in the forthcoming EU national elections.

A limited, negative impact on growth

The expected, albeit prolonged, uncertainty over the future of the EU will weigh on UK growth as investment projects are likely to be postponed. UK growth will be significantly lower than previously assumed (+1.5% in 2016 and +0.4% in 2017 after 1.9% previously). Yet our 2017 outlook is marginally better than the consensus.

Euro area growth is expected to slow modestly (+1.5% in 2016, +1.2% in 2017, 0.2% lower than previously expected).

Through the slowdown in world trade, EMs would also grow slightly less (+3.6% in 2016 and +3.8% in 2017 down from 4.1% previously), with the impact mostly felt in CEE for which around 50% of total exports are shipped to the euro area[1]. In this scenario, US growth is barely affected.

Central banks more dovish

The prevailing financial market uncertainty should dissuade the FOMC from tightening policy in the short term. However, rate hikes would be merely postponed, to allow the Fed to take stock of the impact on real activity and international flows. We therefore expect the Federal Reserve to remain on hold over the near future but keep a December hike followed by an additional increase in mid/late 2017.

The slowdown in UK aggregate demand is likely to dominate the short term outlook for the BoE, despite an expected spike in imported inflation and longer term considerations about supply potential. Despite the BoE likely harbouring concerns about the scale of impact of further stimulus, we expect the BoE to cut interest rates twice to 0% by end-2017, and launch another £50-100bn round of QE.

Against this benign backdrop, we expect the ECB to stay on hold in July, but to expand slightly in September, by six to nine months, as in our previous scenario. The economic slowdown will translate into a slight weakening of the core inflation outlook but should be offset by the euro depreciation, thus missing the ECB projections.

We view the possibility of removing the capital keys as a low probability and favour the scenario described above.

Investment implications: Underweight equities and reduce euro equities to underweight, overweight credit

In the context described above, financial markets will devote some energy to anticipate these interactions but, since they are highly uncertain, volatility will remain elevated.

We expect Bund yields to remain ultra-low, trading in a range between -20bps and +10bps over the coming six to nine months and closer to +25/30bps in the course of 2017. Sovereign peripheral spreads will continue to benefit from the search for yield, supported by the ECB's backstop facility. Yet risks remain skewed toward wider spreads.

The US Fed should resume its tightening cycle by year-end, pushing yields higher toward 1.5% to 1.6%. The risks are clearly skewed to the downside as US Treasuries are the only 'real' safe havens in our view. We recommend an outright overweight to the asset class.

Given the usual risk considerations we would expect spreads to drift marginally wider from current levels (*Exhibit 1*). However, lower sovereign yields would limit

[1] Davradakis, M., "Brexit and Central Eastern Europe", AXA IM Research, 10 June 2016

the negative impact on returns. We therefore stick to our overweight credit view.

We remain underweight equities in general. Despite the post-Brexit correction, equity markets are not attractive. As uncertainty prevails we would expect markets, mainly in the euro area, to correct another 5% to the downside, for which we recommend an underweight.

EM portfolio inflows should resume on a more dovish Fed and abating systemic risk for the global economy. Even though the EM rally might be broad based and indistinctive, we would advise investors to be selective. We are sticking to our preference for Emerging Asia and reduce the EM Europe recommendation to underweight given the weaker growth perspectives.

Downside risk: a messy muddle through

Political discontent fosters euro scepticism

In this scenario, political risks materialise (Italian referendum on the Senate reform, French and German elections…) and possibly lead to protest referendum or early elections in some countries including Italy and CEE countries like Poland and Hungary.

Alongside these developments, Scotland could also seize this opportunity to call for a new referendum accompanied by growing uncertainty concerning Northern Ireland.

Such a scenario would generate renewed financial stress as market participants could test political commitment to EU, by targeting assets the ECB is not buying. Some countries might be forced to ask for financial assistance for themselves or their banks.

Credit crunch and recession, but not another 2012

The immediate primary consequence would be financial tightening, contracting business investment across the entire region and causing saving rates to rise. The economic outlook would not deteriorate as much as in 2012 though, as fundamentals (economic, institutional) are healthier than in the previous episode of the euro crisis. A euro depreciation may even compensate weaker foreign demand. The euro area would grow +1.4% in 2016 and +0.6% in 2017, down from +1.5% and +1.2% in our baseline scenario.

In light of the European travails, the dollar would rise markedly on safe-haven flows. The resulting tightening in financial conditions exacerbates the maturing US cycle. US consumers are less willing to cushion slower real disposable income growth. We forecast US growth of 1.6% in 2016 and 1.8% in 2017 down from +1.7% and 2.1% in our previous baseline scenario.

Monetary policy: whatever it takes and beyond

Once again, central banks would be at the heart of the battle, with the ECB reacting after a delay to i) increase the pace of asset purchases to €90bn per month accompanied by two changes to the PSPP, namely dropping the deposit rate as the lower limit for purchases and lifting the issuer/issuance cap from 33%[2], ii) extend QE through the end of 2017 and iii) set interest rates for a remaining TLTRO programme at the level of the deposit rate.

Due to elevated financial market volatility alongside growing global economic uncertainty, the FOMC refrains from tightening, launch another wave of QE (QE4).

Safe haven yields decline, spreads widen and stock markets correct sharply

Additional QE, combined with even greater uncertainty and general risk-off sentiment, would decrease Bund yields by another 20bps, close to the deposit rate. We would consider an inversion of the yield curve as a temporary possibility due to significant market stress.

Given the strong international correlation and spill-over effects due to the search for yields, we would expect US-Treasury yields to mimic the move of Bund yields and even more as Treasuries would be the only safe haven with a positive yield. Yields could decline to 1.0-1.2%.

As a first reaction, UK gilt yields would likely continue to fall further in this environment, helped by further BoE QE purchases and a global yield compression. However, growing concern about the UK situation could see investors requiring greater risk premium to maintain their significant proportion of gilt holdings. A rise in gilt spreads versus US and German counterparts would remain a risk.

Heightened credit risk would be the main concern for peripheral Europe. While we would not retain a crash scenario like the one in 2011/2, a substantial spread widening of around 150 to 200bps is credible. This would take us back to levels of around 3.5% for Italy and Spain. Euro IG spreads could widen by 140bps to yields in the vicinity of 2.8%. UK IG and US IG would rise by 'only' ~100 and ~60bps respectively.

Equity markets are expected to correct substantially. We see basically two transmission channels: lower earnings expectations, and a significant de-rating due to political uncertainty. Markets would most likely fear a kind of recessionary environment, at least in Europe, and adjust accordingly, taking global stock markets down by at least another 20% with the US outperforming European markets.

Upside risk: an efficient EU political reaction

This is the scenario we deem less likely. A swift negotiation process confirms that the UK will attain a strong partnership with the EU. Eurosceptic parties are unable to benefit from Brexit. Initiatives from core European countries foster confidence about further integration, along the concentric circles model[3].

[2] The latter action would most likely require some guidance/flexibility concerning the capital keys at least for a temporary basis.

[3] Alimi, M., "Europe after the UK referendum", AXA IM Research, 1 June 2016

Political uncertainty is only temporary. Consumer spending remains the main growth engine in the euro area as employment prospects are not called into questions. The euro area grows 1.5% in 2016 and 1.4% in 2017.

With the exception of the US Fed, for which we would expect two rate hikes next year, all central banks proceed as in our baseline scenario described above.

Risk aversion would fade and safe haven bond yields would swiftly move back to pre-Brexit levels with Bund yields back in positive territory, most likely between 10 and 20bps and US Treasury yields closer to the 1.6% to 1.8% levels.

Periphery spreads would tighten back to around 100bps, accompanied by similar moves in credit markets.

Equity markets would most likely revisit the highs seen earlier this year, rendering them more expensive, while the overall economic headwinds would prevail. We have seen corporate profit margins beginning to roll over, weighing on earnings momentum, and reality may take the upper hand again.

RECOMMENDED ASSET ALLOCATION

Global allocation	Short term (3-6M)	Medium term (12-24M)
Cash	▲ =	=
Equities	🔴	🔴
Government bonds	=	🟢
Credit	🟢	=

▲/▼ Changes of the month

Our convictions

- We suggest to lift the cash position back to neutral.
- The ongoing political uncertainty, lower growth and elevated valuations confirm our underweight equities.
- A low growth environment argues in favour of a structural shift toward sovereign debt. Yet Credit remains our overweight as the ECB's purchase program offers a welcome backstop.

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Equities	Short term (3-6M)	Medium term (12-24M)
United States	=	=
€ area	▼ 🔴	=
UK	=	=
Switzerland	▲ =	🟢
Japan	🔴	🔴
Latin America	🔴	=
Emerging Europe	▼ 🔴	=
Emerging Asia	🟢	🟢

▲/▼ Changes of the month

- We reduce the euro recommendation to an outright underweight. Earnings uncertainty, elevated valuation and the high beta argue for more prudence. We close our underweight in Switzerland.
- We confirm our underweight for Japanese equities due to the strong currency and fading earnings perspectives. Valuation remains appealing though.
- We suggest to keep EMs on par with developed markets but reduce Emerging Europe to underweight amid growth concerns.

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Government bonds	Short term (3-6M)	Medium term (12-24M)
United States	▲ 🟢	🟢
€ area	▼ =	=
€ core	=	=
€ periphery	▼ =	=
UK	▼ =	=
Japan	🔴	=
Emerging Markets	=	=
Swap spreads	=	🔴
Break-even	=	🟢
United States	🟢	🟢
Europe	=	🟢

▲/▼ Changes of the month

- The feeble growth outlook combined with prudent monetary policy actions will weigh on the term premium globally. We raise US Treasury bonds to an outright long amid less policy tightening.
- Duration pressures should prevail in the euro area, given the ECB the current political and economic environment. Yet following the most recent sharp decline in yields we take profits and reduce the weighting back to neutral. The same rationale holds for UK Gilts.
- Keep or add positions in US break-evens amid rising inflation.

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Credit	Short term (3-6M)	Medium term (12-24M)
Corporate credit - US	🔴	=
Corporate credit - €	=	🟢
High Yield - US	🟢	🔴
High Yield - €	🟢	=

▲/▼ Changes of the month

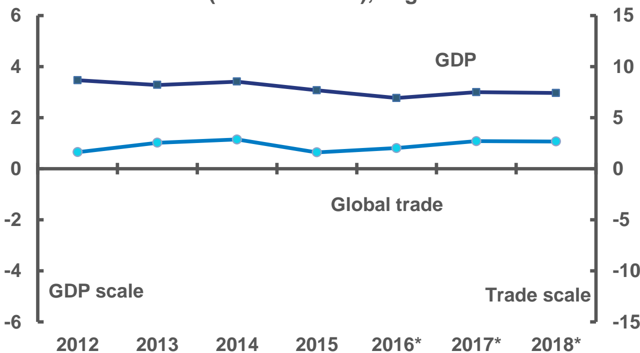
- Credit is expected to perform well despite a noticeable tightening of spreads, rendering (US) valuation less appealing.
- Continue to favour high yield. Balance sheets are still healthy, particularly in Europe, where corporates have hardly re-levered as judged by the net debt-to-EBITDA ratio.

FORECAST SUMMARY

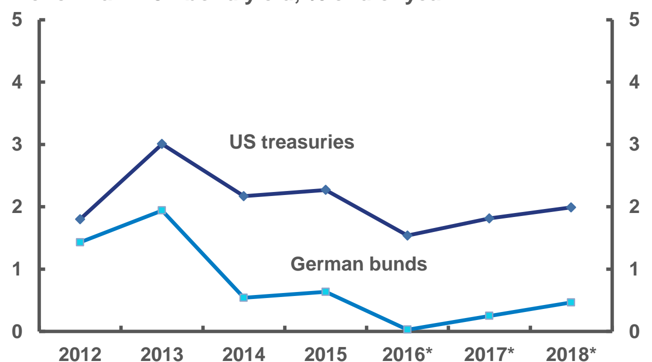
1 July 2016	2012	2013	2014	2015	2016*	2017*	2018*
Growth							
World GDP (PPP)	3.5	3.3	3.4	3.1	2.8	3.0	3.0
World GDP (market FX rate)	2.5	2.4	2.7	2.7	2.4	2.7	2.6
USA	2.2	1.5	2.4	2.4	1.7	2.1	1.8
Euro area	-0.8	-0.3	0.9	1.6	1.5	1.2	1.2
UK	1.2	2.2	2.9	2.4	1.5	0.4	1.5
Japan	1.7	1.4	-0.1	0.6	0.7	1.0	1.0
China	7.7	7.7	7.3	6.8	6.4	6.0	5.9
Rest of Asia	5.8	5.8	6.0	6.1	5.0	4.8	4.8
RoW	3.6	3.3	3.1	2.0	2.0	2.7	2.8
Global trade							
Manufactured goods	1.6	2.5	2.9	1.6	2.0	2.7	2.7
Inflation							
US	2.1	1.5	1.6	0.0	1.1	2.2	2.0
Euro area	2.5	1.4	0.4	0.0	0.1	0.9	1.0
UK	2.8	2.6	1.5	0.1	0.7	1.7	2.1
Japan	-0.5	0.0	2.7	0.8	-0.1	0.3	0.4
Crude oil (Brent), US$/bbl	112.0	108.9	99.2	53.0	42.4	50.8	54.9
Interest rates, FX (end of period)							
US							
Fed funds (actual / target)	0.17	0.09	0.06	0.35	0.63	0.88	0.63
10Y Treasuries yield	1.80	3.01	2.17	2.27	1.54	1.81	1.99
Euro area							
EONIA	0.13	0.17	-0.05	-0.25	-0.4	-0.4	-0.4
10Y Bund yield	1.43	1.94	0.54	0.63	0.03	0.25	0.46
€1 = …US$	1.33	1.38	1.21	1.09	1.08	1.05	1.07
Japan							
Overnight call rate	0.09	0.10	0.05	0.05	-0.10	-0.10	-0.10
10Y JGB	0.79	0.74	0.33	0.27	-0.09	0.06	0.32
US$1 = … JPY	76	105	120	120	100	100	99
€1= … JPY	115	145	145	130	108	105	106
UK							
BoE base rate	0.5	0.5	0.5	0.5	0.3	0.0	0.5
10Y gilt	1.96	3.03	1.76	1.96	0.9	0.9	1.2
€1= … GBP	0.81	0.83	0.78	0.74	0.85	0.83	0.83
Switzerland							
O/N	-0.2	-0.1	-0.2	-0.9	-1.0	-1.0	-1.0
10Y	0.45	1.09	0.37	-0.07	-0.4	-0.1	0.1
€1= ... CHF	1.21	1.23	1.20	1.09	1.07	1.05	1.04

Sources: IMF, Datastream, AXA IM Research **AXA IM forecasts*

World GDP & trade (manufactured), % growth



Benchmark 10Y bond yield, % end of year

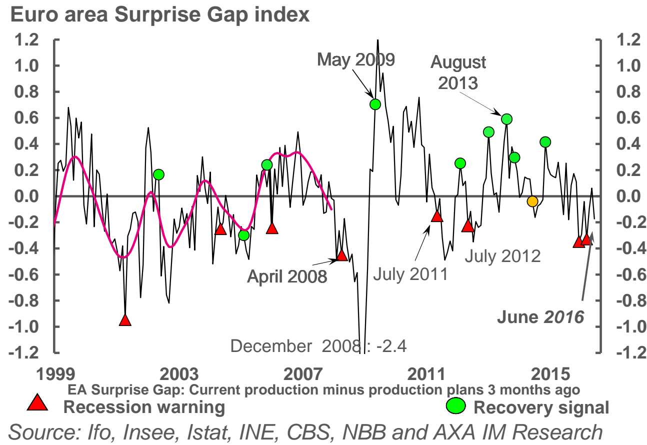


These projections are not necessarily a reliable indicator of future results.

CHARTBOOK: SURPRISE GAPS AND RAB

Exhibit 2

Eurozone surprise gap: back below zero



Source: Ifo, Insee, Istat, INE, CBS, NBB and AXA IM Research

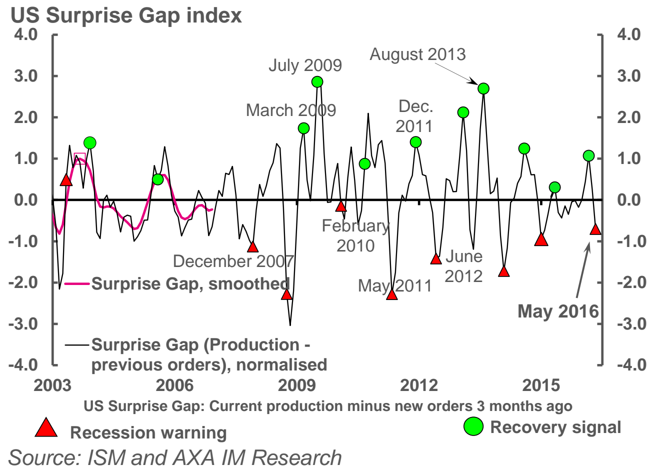
Euro area surprise gap

In the euro area, the Surprise Gap declined in June back to below the neutral line. This implies increased risks of a slowdown in the manufacturing sector. Political uncertainty ahead of the Brexit referendum may have contributed to the softening of activity.

At a country level, France and Spain led the region on the way down, while Germany and Italy remained about flat.

Exhibit 3

US surprise gap: sharp decline



Source: ISM and AXA IM Research

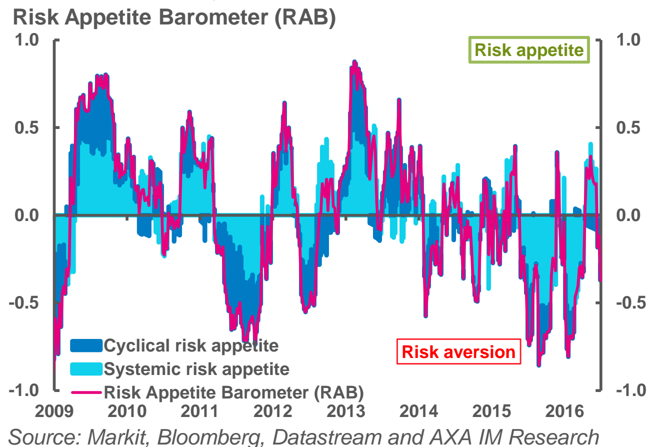
US Surprise Gap

After a strong improvement over the spring, the US Surprise Gap fell sharply in May. The production component declined to its lowest level since January, while new orders remained stable from April.

Soft business surveys are so far not confirmed by hard data, which has been holding up well in the US in the second quarter. The recent decline in the surprise gap may increase the likelihood of an economic slowdown into the summer.

Exhibit 4

RAB drops sharply



Source: Markit, Bloomberg, Datastream and AXA IM Research

Risk Appetite Barometer (RAB)

The ‘Risk Appetite Barometer’ dropped sharply.

What is, however even more worrisome is the fact that almost all subcomponents contributed. The US pair-wise correlation, an indicator for herding and the three-month momentum were the main contributors.

The current readings of around -0.3 are still far from any reading which we would consider as a “contrarian buy” and would view the current sentiment still as a call for prudence.

MARKET PERFORMANCE

01 July 2016			Perf (%)			
			-1M	-3M	-12M	YTD
Fixed Income						
Government Bonds						
USA	*(JPM GBI US All Mats Index)*		2.4	2.3	6.8	5.7
Europe	*(JPM EMU GBI ALL Mats Index)*		2.3	2.2	8.9	5.7
United Kingdom	*(BofA ML UK Gilts All Mats)*		5.6	6.2	13.5	11.5
Japan	*(BofA ML JP All Mats)*		1.3	2.8	9.2	7.1
Index-Linked Bonds						
USA	*(Barclays Glb Infl US)*		2.2	1.8	4.6	6.6
Europe	*(Barclays Euro IL BD All Mats)*		1.7	2.8	2.2	4.2
United Kingdom	*(Barclays Glb Inlf UK)*		10.7	10.2	15.4	16.8
Investment Grade Credit						
USA	*(BofA ML Corp Master)*		2.2	3.5	7.4	7.6
Europe	*(BofA ML EMU Corp)*		1.0	1.7	5.2	4.1
High Yield						
USA	*(BofA ML US HY Master II)*		1.1	5.9	1.7	9.3
Europe	*(BofA ML Euro High Yield)*		-0.3	1.7	2.5	3.5
Emerging Bonds						
in local currency	*(perf in $) (JPM GBI-EM Global Composite)*		7.1	4.0	1.8	15.5
in hard currency	*(JPM EMBI Global Composite)*		3.7	5.4	10.3	10.9
Equities (MSCI, total return indices)						
MSCI World			-1.3	1.5	-2.1	-0.3
United States			0.3	2.6	3.2	3.6
Europe			-2.0	1.6	-5.3	-3.2
Europe Small caps			-6.4	-2.6	-1.1	-5.7
EMU			-5.9	-2.2	-11.0	-8.7
France			-5.5	-1.1	-7.6	-5.5
Germany			-5.5	-2.5	-10.8	-9.3
Italy			-8.8	-7.3	-25.1	-22.0
Spain			-9.7	-5.1	-22.7	-13.1
United Kingdom			5.0	6.7	3.4	6.9
Switzerland			-2.6	4.2	-3.8	-5.4
Japan			-9.8	-7.8	-23.4	-19.3
Emerging Markets			1.7	0.8	-7.3	3.6
Asia			1.8	1.2	-9.5	1.5
Eastern Europe			-2.3	-3.8	-4.5	3.5
Latin America			4.3	2.2	0.1	14.4
Commodities (S&P GSCI, total return)						
S&P GSCI Light Energy Total Return			1.1	8.2	-16.8	8.1
Energy	*latest reading (Brent, USD/b)*	49.6	-1.2	19.0	-36.6	11.7
Industrial Metal	*latest reading (Copper, USD/mt)*	4845.0	5.7	5.3	-9.7	7.3
Precious Metals	*latest reading (Gold, USD/ounce)*	1321.1	9.3	8.1	12.9	25.4
Agricultural products			-0.0	7.9	-10.3	6.9
Currencies						
€1 = … USD	*latest reading*	1.111	-0.2	-2.5	-0.3	2.3
$1 = … YEN	*latest reading*	102.590	-7.5	-8.7	-16.2	-14.7
£1 = … USD	*latest reading*	1.337	-8.2	-7.0	-15.0	-9.3
$1 = … YUAN	*latest reading*	6.644	0.9	2.7	7.1	2.3

Source: Datastream, AXA IM *In local currency*

Past performance is not indicative of nor does it constitute a representation or guarantee as to future results.

EQUITY MARKET VALUATION

1 July 2016		Index	PE		EPS growth (%)		PEG ratio	
			2016	2017	2016	2017	2016	2017
United States	*S&P 500*	2098.9	17.8	15.7	0.9	13.6	n.s.	1.2
Canada	*TSE300*	14064.5	18.9	15.6	-2.2	21.5	n.s.	0.7
Japan	*Topix*	1245.8	13.2	12.1	16.1	9.1	0.8	1.3
Euro area	*DJ EUROSTOXX 50*	2864.7	13.7	12.1	-0.6	13.2	n.s.	0.9
Germany	*DAX*	9680.1	12.6	11.4	0.9	10.5	n.s.	1.1
France	*CAC40*	4237.5	14.6	12.9	-2.4	13.2	n.s.	1.0
The United Kingdom	*FTSE 100*	6504.3	17.0	14.5	-6.3	16.9	n.s.	0.9
Italy	*FTSE MIB*	16197.8	15.2	12.1	29.5	25.7	0.5	0.5
Spain	*Madrid General*	820.9	16.1	12.5	-6.2	28.5	n.s.	0.4
The Netherlands	*AEX*	435.9	18.6	15.0	-5.2	24.4	n.s.	0.6
Belgium	*Bel 20*	3345.6	18.1	16.7	-0.9	8.4	n.s.	2.0
Switzerland	*SMI*	8020.2	17.0	15.3	-3.4	11.0	n.s.	1.4
Sweden	*OMX*	1323.6	15.2	14.0	-3.8	8.6	n.s.	1.6

Source: Datastream; IBES; Bloomberg *n.s. = not significant / n.a. = not available*

Past performance is not indicative of nor does it constitute a representation or guarantee as to future results.

ABREVIATION GLOSSARY

1Q11 first quarter of 2011
1H11 first half of 2011
[Lhs] left hand scale (graph)
[Rhs] right hand scale (graph)
a.r. annualised rate
ABS Asset-backed security
BoE Bank of England
BoJ Bank of Japan
bp(s) basis point(s)
CEE Central Eastern Europe
CPI Consumer price index
CSPP corporate sector purchase programme
DM Developed market
EBA European Banking Authority
EBITDA earnings before interest, taxes, depreciation, and amortization
ECB European Central Bank
EM Emerging market
EMU European Monetary Union
EPFR Emerging Portfolio Fund Research, Inc.
EPS Earnings per share
ESM European Stability Mechanism
ETF Exchange-Traded fund
€ Euro
FFR Fed fund rate
FOMC Federal Open Market Committee
GDP Gross Domestic Product
HKD Hong Kong dollar
HY High Yield
IBES Institutional Brockers' Estimate System
IG Investment Grade
IIF Institute of International Finance
IMF International Monetary Fund
ISM Institute of Supply Management
JGB Japanese Government Bonds
£ Pound Sterling
LatAm Latin America
LBO Leveraged buy-out
LTRO Long Term Refinancing Operation
M&A mergers and acquisitions
MBS Mortgage-backed security
mom month on month
n.s/a non-seasonally adjusted
NFIB National Federation of Independent Business
OECD Organisation for Economic Cooperation and Development
OMT Outright Monetary Transactions
P/E price/earnings
PBC People Bank of China
PCE personal consumption expenses
PEG price/earnings to growth
PMI Purchasing Manager Index
pp percentage point
PPI Producer price index
PPP purchasing power parity
PSPP private sector purchase programme
QE Quantitative easing
QQE Quantitative and qualitative easing
qoq quarter on quarter
RMB renminbi chinois (yuan)
s/a seasonally adjusted
SMEs Small and medium size enterprises
SMP Securities Markets Programme
SWF Sovereign Wealth fund
TIPS Treasury Inflation Protected Securities
TLTRO Targeted Longer-Term Refinancing Operation
US$ US dollar
¥ Yen
yoy year on year
ytd year to date
ZIRP Zero interest rate policy

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