

## The J.P. Morgan View

### The endgame on EMU is approaching

- **Economics** — Lower Japan growth drives global growth projections down to 2.5% for this year and next. EMU endgame is approaching as conditions are now so bad that core Europe is making proposals to tighten fiscal integration.
- **Portfolio strategy** — Stay defensive and underweight equities.
- **Fixed Income** — We go long duration in the Euro area, on peripheral turmoil and a more dovish ECB.
- **Equities** — Mixed economic data and continued negative EMU headlines warrant a defensive stance.
- **Credit** — We remain defensive and UW European vs. US credit. We move from underweight to marketweight in select Euro area senior bank debt.
- **Foreign exchange** — Focus EUR shorts on JPY.
- **Commodities** — In an environment of falling demand, we expect OPEC to cut production to maintain prices close to current levels.

- Riskier asset classes — equities, commodities and credit — are weaker again this week. Bonds are up on the week, in particular in Europe on a worsening of North South tensions in the Euro area, and speculation of monetary easing.

- **We are tactically defensive**, underweighting riskier assets on negative momentum in prices and economic growth expectations, and a lack of convincing policy options in the major economies. But any strategy must always be on **the lookout for signs that conditions are reversing**. As discussed here before, conditions for reversal must be based on better data, policies, value and positions: Economic data need to stop surprising on the downside; policies need to be put in place to reverse economic downside; the worst should be in the price; and investors should be short risky assets. **These conditions are not yet in place — hence our defensiveness — but we need to keep monitoring them.**

- **First, global activity data** remain weaker than most are hoping to see, but their second derivative, the pace of weakening, is itself coming down. For most countries, data are in line with our much lowered projections. The exception is Japan, where we were forced to cut both H2 and next year. Much attention is on how the collapse in confidence and equities in August are affecting demand. The good news is that while demand has weakened, it is not breaking in a manner one would expect if global recession had started. Chinese and US sales are holding up, but the tech sector is weakening seriously, as evidenced by Taiwan exports and Japanese foreign orders.

- Second, the sudden rise in recession risks are pulling **policy** makers into action. The question is: What can they do? EM policy makers have plenty of ammunition left, but inflation is not coming down fast enough yet to induce broadbased easing. In most cases, EM central banks have stopped tightening. We retain selective longs at the short end of their bond curves.

The certifying analyst is indicated by an <sup>AC</sup>. See page 7 for analyst certification and important legal and regulatory disclosures.

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#### John Normand



#### Nikolaos Panigirtzoglou



#### Seamus Mac Gorain

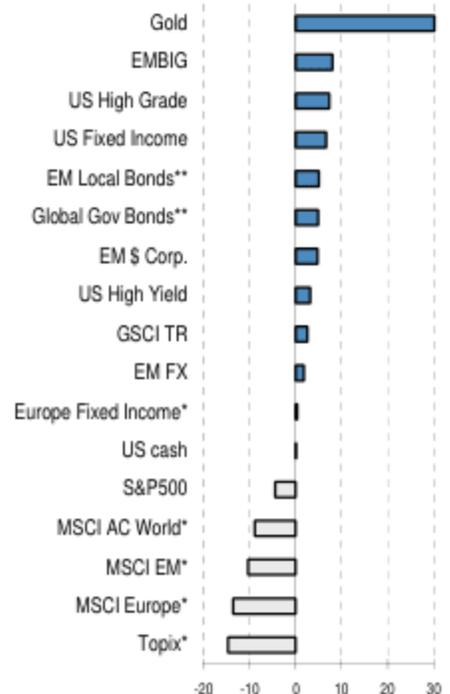


#### Matthew Lehmann



#### YTD returns through Sep 8

%, equities are in lighter colour.



Source: Morgan, Bloomberg. 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 ELM+ in \$.

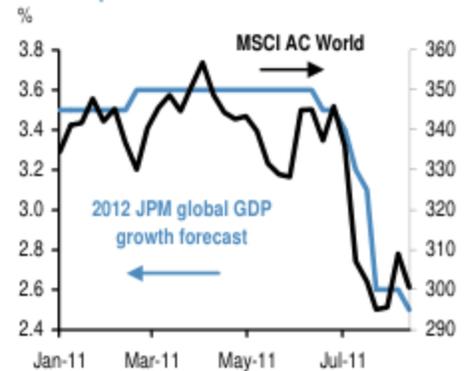


- The **US** economy is teetering on the edge of recession. This will likely push the **Fed** into an Operation Twist to raise the duration of its SOMA portfolio later this month. We are not optimistic on its impact, gauging it at only 10bp (see Terry Belton et al, *Demystifying Operation Twist*, Sep 9). President **Obama** proposed yesterday a larger than expected plan to lower taxes and raise spending. If fully implemented, it would add 2% to 2012 US growth, offsetting and postponing the 1.75% negative fiscal drag currently in our forecast. Given the polarization in Congress, it is highly unlikely that all of his proposals will become law, although some elements will likely pass. Our current US growth forecasts, which are at the bottom of the consensus, have as a base case that none of the proposals are adopted, and will be adjusted once we know more.
- In Europe, the **endgame on EMU is approaching fast**. As discussed before, the survival of the common currency requires a common fiscal policy. Member states have been fighting this dramatic loss of fiscal sovereignty, and will surrender only if the alternative of a much more damaging EMU breakup is imminent. We have argued that conditions need to become a lot worse before EMU countries move to the needed joint management of funding and deficits.
- And that is what we got this week. Conditions worsened badly (see below). Sarkozy and Merkel made clear weeks ago that a Eurobond is not feasible without more strict control of budgets than is possible today. On Monday, the Dutch PM and Minister of Finance proposed installing a fiscal Czar with the power to make countries exit EMU if they do break its budget rules. And yesterday, German Chancellor Merkel proposed in parliament a new EU Treaty to permit a common economic policy, deeper integration and more dependability. **The pieces for the salvage of EMU are starting to fall into place, but a lot of progress needs to be made, with huge execution risks.**

## Fixed income

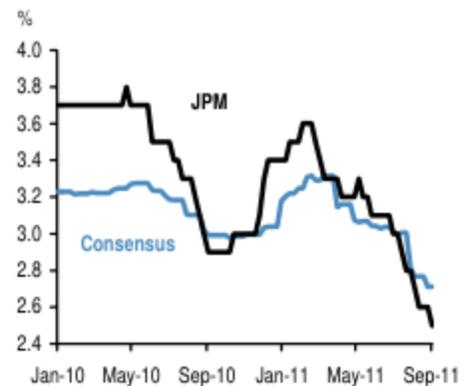
- **The turmoil in the Euro area continues to escalate**, pushing core European bonds higher, with German Bunds again hitting new yield lows. The triggers this week: prevarication by Italy and Greece, before each delivered substantial austerity proposals, uncertainty over the degree of private sector support for the Greek debt exchange, and the resignation today of the ECB Governing Council's German Chief Economist, Juergen Stark.
- **We remain defensive on the periphery**. Today's resignation will renew questions over divisions within the ECB on its bond buying program. Spain and Italy come to the market next week with issuance. And further ahead, the EFSF's €440bn total capacity will be sorely tested to match the ECB's pace of bond purchases (€56bn in the first four weeks). Spain is our preferred UW.
- The ECB changed tack by more than expected this week in response to the economic slowdown, declaring that inflation risks are now balanced (instead of to the upside). The likelihood of a near-term ease has increased substantially. That, and the peripheral turbulence, prompt us to **go long duration in the Euro area**, even at these very low yields.
- We stay long duration in EM, (favour Indonesia, Malaysia, Thailand and Poland), but are flat elsewhere in DM, including US Treasuries. The Treasury market remains focused on the additional stimulus expected from the FOMC meeting in two weeks. We estimate though that a **moderate-sized active**

## 2012 JPMorgan global GDP growth forecast vs. Global equities



Source: J.P. Morgan, Consensus Economics. Consensus Economics forecasts are for regions and countries that we averaged using the same 5-year rolling USD GDP weights that we use for our own global growth forecast.

## 2011 global GDP growth forecasts: JPMorgan and Consensus



Source: ■ Morgan, Consensus Economics. Consensus Economics forecasts are for regions and countries that we averaged using the same 5-year rolling USD GDP weights that we use for our own global growth forecast.

### More details in ...

*Global Data Watch*, Bruce Kasman and David Hensley

*Global Markets Outlook and Strategy*, Jan Loeys, Bruce Kasman, et al.

*US Fixed Income Markets*, Terry Belton and Srinivas Ramaswamy

*Global Fixed Income Markets*, Pavan Wadhwa and Fabio Bassi

*Emerging Markets Outlook and Strategy*, Joyce Chang

*Key trades and risk: Emerging Market Equity Strategy*, Adrian Mowat et al.

*Flows and Liquidity*, Nikos Panigirtzoglou et al.

**Operation Twist program would reduce 10yr yields by only 10bp.** See Terry Belton et al., *Demystifying Operation Twist*, Sep 9.

## Equities

- **Mixed economic data and continued negative headlines from Europe's sovereign crisis warrants a defensive stance.** Our US Economic Activity Surprise Index remains in negative territory, as it has been for five straight months (chart). We need to see this index moving to positive territory, and US data to start surprising on the upside, for equities to sustain a recovery.

- **Rule-based trading strategies tend to perform better in highly uncertain environments.** These strategies point to the following recommendations:

1. A US equity sector trading model based on a combination of sector short interest, a contrarian indicator, and 11-month return momentum, suggests being long in US Energy and Materials vs. Financials and Staples (*Flows & Liquidity*, Apr 15).

2. Our Cyclical vs. Defensive global sector trading signal based on the monthly change in the global PMI currently recommends an UW in Cyclical (*Trading Cyclical vs Defensive sectors*, Aug 2009). The global PMI has been declining for six straight months weighing on Cyclical sectors.

3. Our EM vs. DM equity signals based on relative IP growth and 2-month return momentum is currently neutral in EM (*The EM vs Developed Markets equity allocation*, Apr 2009). Relative IP growth favours EM but 2-month return momentum favours DM.

4. Our model for allocating between the US and Euro area equities currently suggests a long in S&P500 vs. MSCI EMU currency hedged (Panigirtzoglou et al., *Trading the US vs Europe*, June 24). Of the three signals, the performance of global equities over the past 3 months and the change in the US-Euro PMI difference point to an UW of Euro area equities. They dominate the third signal, the change in the EURUSD over the past three months, which favours Euro area equities.

## Credit

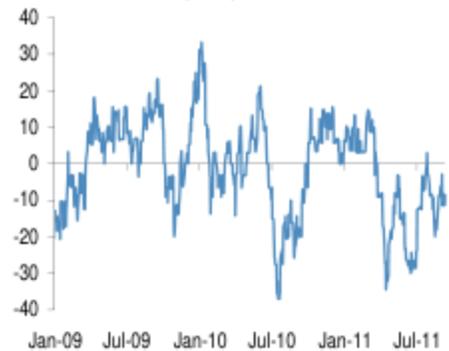
- **Once again spreads were wider across the board this week.** Europe continues to underperform the US and the gap between the CDX.IG and iTraxx Main, historically 10bp, reached an all-time wide of 58bp on Tuesday, or 36bp after adjusting for banking sector composition differences. As the Euro area will likely remain under stress near term, we **buy protection in the iTraxx main vs. CDX.IG.**

- However, our European strategists **upgraded their recommendation on European bank senior debt to neutral this week.** Whilst increasingly priced into spreads, they believe that issuance risks have been dampened by funding diversification via covered bonds, ECB support and balance sheet deleveraging (see Roberto Henriques et al, *Reassessing Senior Unsecured Risk*, Sep 8). **They hold a preference for Irish and Portuguese senior debt.**

- Our recent **Credit Investor Survey shows little consensus as to where US HG spreads are headed;** 33% expect tightening and 39% expect widening. Asset managers are bearish and hedge funds are bullish (see Eric Beinstein et al.,

### US EASI

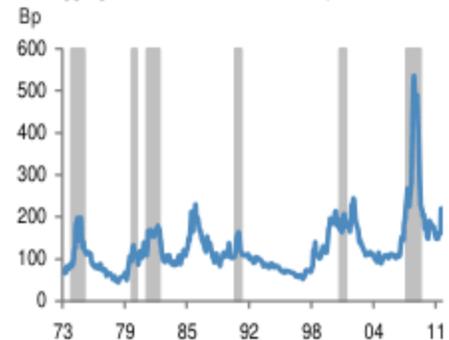
US Economic Activity Surprise Index



Source: Morgan

### US HG spreads during recessions

JP Morgan JULI index spread over USTs (Barclays US Aggregate is used before 01/2000).



Source: Morgan, Datastream

### CDX IG vs. iTraxx Main

Monthly spread levels since Jan 2007.



Source: Bloomberg

### More details in ...

*EM Corporate Outlook and Strategy*, Warren Mar et al.

*US Credit Markets Outlook and Strategy*, Eric Beinstein et al.

*High Yield Credit Markets Weekly*, Peter Acciavatti et al.

*European Credit Outlook & Strategy*, Steven Dulake et al.

*Credit Market Outlook & Strategy*, Sep 9). However, their cash positions are building and they are trading up in credit quality. We tactically remain **UW US HG bonds** although attractive valuations and growing cash positions may facilitate a rally medium-term.

- EMBIG spreads widened 11bp to 380bp and CEMBI spreads widened 6bp to 425bp. We maintain that EM will outperform DM given strong economic fundamentals and policy room-to-manoeuvre. However, in keeping with our more bearish stance on credit and because EM is behaving akin to a high-beta sector, we **overweight EM sovereigns vs. EM corporates**.

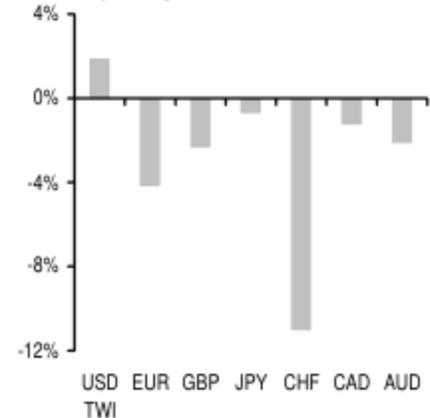
## Foreign Exchange

- The dollar is re-coupling with stock markets and volatility, and thus threatening to break the five-month ranges which DXY and trade-weighted indices have observed. HIA 2.0 remains a wildcard which could drive the dollar broadly higher, but this risk looks exaggerated. EUR/USD is clearly at risk from an ECB ease, conflict over the SMP following Stark's resignation and the usual sovereign stresses. But Obama's fiscal ease and possible QE 3 are important offsets. Outside EUR/USD, ranges on other currencies look intact.
- **SNB** stole the spotlight by setting a floor for EUR/CHF which could affect other major currencies through the re-channelling of fiscal hedging. But why this might partly explain the accelerated break-down in EUR/USD, it doesn't make safe-havens of inherently cyclical currencies such as SEK, NOK, AUD and NZD. Moreover, the SNB's actions are not a playbook for the BoJ. The SNB's actions stopped out our long CHF trades vs EUR, GBP and USD. We are cautiously monetising the SNB's floor for EUR/CHF by selling short-dated puts struck at the 1.20 floor, albeit recognising the long-term constraints and pressures on this peg. The portfolio remains defensively positioned in funding currencies, albeit exclusively now through yen. Hedge the risk of a further loss of confidence in the euro through EUR/JPY rather than EUR/USD, while hold existing yen longs versus both USD and GBP.

## Commodities

- As we pointed out last week, the oil market has proved resilient during the past month's turmoil in risky markets. **Brent is up another 1.5% this week** and is now almost back to where it was before the correction at the beginning of August. **We expect prices to range trade around current levels right through to the middle of next year, though with considerable volatility.** The resumption of Libyan production is unlikely in any material size until next year when we may also see an expansion of Iraqi exports. However, **in a scenario of increased supply that is not met by adequate demand, our view is that OPEC will cut production in order to maintain prices above \$100/bbl** and protect their revenues. Our oil analysts report that early estimates of Middle East exports for August already show a decline of as much as 6% of the previous month's exports, perhaps reflecting the current economic slowdown.
- **This week's statement by the SNB** that they will purchase "unlimited" quantities of foreign currency to maintain a floor for the EUR/CHF of 1.2 is a new **bullish factor for gold**. It has removed the CHF from the list of liquid hedges for the Euro area crisis. In addition, although the SNB is unlikely to use the cash it gets from selling CHF to buy gold, this may accentuate the recent trend of EM central banks diversifying their reserves into gold, thus boosting prices further.

FX weekly change vs USD



Source: J.P. Morgan

### More details in ...

*FX Markets Weekly*, John Normand et al.

*Commodity Markets Outlook & Strategy*, Colin Fenton et al.

*Oil Markets Monthly*, Lawrence Eagles et al.

*Metals Review and Outlook*, Michael Jansen

*Global Metals Quarterly*, Michael Jansen

Interest rates		Current	Sep-11	Dec-11	Mar-12	Jun-12	YTD Return*
United States	Fed funds rate	0.125	0.125	0.125	0.125	0.125	
	10-year yields	1.92	2.05	2.60	2.80	3.00	8.3%
Euro area	Refi rate	1.50	1.50	1.50	1.50	1.50	
	10-year yields	1.77	2.10	2.05	2.00	2.00	7.2%
United Kingdom	Repo rate	0.50	0.50	0.50	0.50	0.50	
	10-year yields	2.26	2.45	2.55	2.55	2.55	9.1%
Japan	Overnight call rate	0.10	0.05	0.05	0.05	0.05	
	10-year yields	1.00	0.90	0.95	1.05	1.10	1.6%
GBI-EM hedged in \$	Yield - Global Diversified	6.25		6.90			5.0%

Credit Markets	Current	Index	YTD Return*
US high grade (bp over UST)	207	JPMorgan US Index (JULI) i-spread	7.2%
Euro high grade (bp over Euro gov)	300	iBoxx Euro Corporate Index	3.5%
USD high yield (bp vs. UST)	735	JPMorgan Global High Yield Index	3.2%
Euro high yield (bp over Euro gov)	850	iBoxx Euro HY Index	-3.4%
EMBIG (bp vs. UST)	370	EMBI Global	8.1%
EM Corporates (bp vs. UST)	414	JPM EM Corporates (CEMBI)	4.8%

Commodities	Current	Quarterly Averages				GSCI Index	YTD Return*
		11Q3	11Q4	12Q1	12Q2		
Brent (\$/bbl)	115.6	110.0	115.0	115.0	110.0	Energy	0.8%
Gold (\$/oz)	1815	1650	1800	1800	1750	Precious Metals	31.3%
Copper (\$/metric ton)	8913	9750	10000	10250	9500	Industrial Metals	-8.5%
Corn (\$/Bu)	7.54	7.20	6.90	7.10	7.40	Agriculture	0.6%

Foreign Exchange	Current	Sep-11	Dec-11	Mar-12	Jun-12	3m cash	YTD Return*
						index	in USD
EUR/USD	1.41	1.45	1.45	1.48	1.48	EUR	5.5%
USD/JPY	77.3	76	75	74	73	JPY	5.1%
GBP/USD	1.60	1.63	1.59	1.66	1.68	GBP	3.4%
USD/BRL	1.66	1.58	1.6	1.6	1.65	BRL	5.3%
USD/CNY	6.40	6.35	6.3	6.2	6.10	CNY	2.2%
USD/KRW	1072	1040	1070	1050	1020	KRW	7.1%
USD/TRY	1.76	1.65	1.65	1.65	1.65	TRY	-9.1%

Equities	Current	YTD Return	2011
		(local ccy)	Forecast
S&P	1193	-5.5%	1475
Nasdaq	2537	-5.9%	
Topix	754	-16.9%	
FTSE 100	5319	-10.6%	5900
MSCI Eurozone*	121	-24.5%	145
MSCI Europe*	944	-19.7%	1100
MSCI EM \$*	988	-14.5%	1300
Brazil Bovespa	56607	-19.8%	
Hang Seng	20048	-11.8%	
Shanghai SE	2516	-11.4%	

\*Levels/returns as of Sep 08, 2011

Local currency except MSCI EM \$

Sector Allocation *	US	Europe	Japan	EM
	YTD	YTD	YTD	YTD (\$)
Energy	-3.2%	-13.3%	-10.1%	-13.0%
Materials	-10.4%	-23.8%	-18.2%	-13.6%
Industrials	-11.5%	-22.5%	-13.8%	-20.6%
Discretionary	-3.2%	-17.7%	-21.9%	-1.1%
Staples	4.7%	-4.0%	-2.6%	1.5%
Healthcare	4.4%	-1.6%	-6.1%	-13.4%
Financials	-22.2%	-27.8%	-25.7%	-15.6%
Information Tech.	-6.4%	-14.7%	-28.0%	-19.6%
Telecommunications	-3.3%	-8.7%	-2.4%	1.4%
Utilities	8.0%	-18.6%	-40.0%	-10.7%
<b>Overall</b>	<b>-5.5%</b>	<b>-19.7%</b>	<b>-16.9%</b>	<b>-14.5%</b>

Source: Bloomberg, Datastream, IBES, Standard & Poor's Services, J.P. Morgan estimates

## Global Economic Outlook Summary

	Real GDP			Real GDP						Consumer prices				
	% over a year ago			% over previous period, saar						% over a year ago				
	2010	2011	2012	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q10	2Q11	4Q11	2Q12
<b>The Americas</b>														
United States	3.0	1.4	1.2	0.4	1.0	<u>1.0</u>	1.0	0.5	1.5	2.5	1.2	3.3	3.2	1.3
Canada	3.2	2.2	2.2	3.6	-0.4	<u>1.8</u>	2.4	2.6	2.6	2.4	2.3	3.4	2.6	1.6
Latin America	6.0	4.3	3.5	5.8	<u>3.6</u>	3.4	3.1	2.6	4.3	4.4	6.7	6.8	7.2	7.3
Argentina	9.2	7.0	4.8	11.7	<u>5.0</u>	6.0	3.0	4.0	6.0	4.0	11.0	11.0	11.0	13.0
Brazil	7.5	3.4	3.8	5.0	3.1	<u>2.3</u>	3.9	4.3	4.1	3.5	5.6	6.6	6.5	5.7
Chile	5.2	6.5	4.5	6.4	5.7	<u>3.5</u>	2.5	5.0	4.5	4.3	2.5	3.3	4.0	3.6
Colombia	4.3	5.3	4.0	7.7	<u>6.0</u>	3.5	1.5	4.2	4.7	5.2	2.7	3.0	3.5	3.1
Ecuador	3.6	6.0	3.0	7.3	<u>3.0</u>	2.0	1.0	2.0	3.5	4.0	3.4	4.1	3.9	3.6
Mexico	5.4	4.0	2.5	2.4	4.5	<u>5.7</u>	2.6	-1.5	3.7	4.9	4.2	3.3	3.4	3.6
Peru	8.8	6.3	5.0	6.9	4.5	<u>2.5</u>	3.0	7.0	5.3	5.3	2.1	3.1	3.6	3.0
Venezuela	-1.5	3.5	3.0	14.7	-3.2	<u>-1.5</u>	3.0	3.0	5.0	6.5	27.3	24.6	29.0	33.6
<b>Asia/Pacific</b>														
Japan	4.0	<b>-0.3 ↓</b>	<b>2.5 ↓</b>	<b>-3.7 ↓</b>	<b>-2.1 ↓</b>	<u>7.0</u>	<b>3.5 ↓</b>	<b>2.0 ↓</b>	<b>1.7 ↓</b>	<b>1.5 ↓</b>	-0.3	-0.4	-0.2	-0.7
Australia	2.7	<b>1.4 ↑</b>	<b>3.5 ↓</b>	<b>-3.4 ↑</b>	<b>4.8 ↑</b>	<u>2.1 ↓</u>	<b>2.2 ↓</b>	4.1	<b>3.4 ↑</b>	4.8	2.7	3.6	3.8	3.2
New Zealand	1.7	2.8	4.2	3.4	<u>4.2</u>	4.5	3.7	3.5	4.3	5.5	4.0	5.3	3.2	2.4
Asia ex Japan	9.1	7.2	7.0	8.9	<u>5.3</u>	<b>6.1 ↓</b>	6.8	7.2	7.5	7.6	4.9	5.7	4.9	4.5
China	10.3	8.9	8.5	8.9	7.0	<u>7.5</u>	8.5	8.7	8.9	9.0	4.7	5.7	4.6	4.3
Hong Kong	7.0	5.2	4.0	13.0	-2.0	<u>1.5</u>	3.5	5.5	5.6	4.5	2.7	5.2	5.1	4.3
India	8.5	7.6	8.5	8.3	<u>7.6</u>	7.5	7.1	8.6	9.0	9.5	9.2	9.1	8.7	7.8
Indonesia	6.1	6.4	6.2	6.8	5.4	<u>6.5</u>	6.2	6.2	6.2	6.2	6.3	5.9	4.5	5.6
Korea	6.2	4.0	4.2	5.4	<b>3.6 ↑</b>	<b>4.8 ↓</b>	4.0	4.0	4.5	4.5	3.6	4.2	<b>3.7 ↑</b>	<b>3.1 ↑</b>
Malaysia	7.2	4.2	3.6	5.5	3.2	<u>1.0</u>	3.5	4.0	4.1	4.0	2.0	3.3	2.8	2.4
Philippines	7.6	<b>4.6 ↓</b>	<b>5.2 ↓</b>	7.8	2.4	<b>6.6 ↓</b>	<b>5.7 ↓</b>	4.9	4.9	5.3	3.5	5.0	4.6	3.3
Singapore	14.5	<b>5.1 ↓</b>	<b>3.8 ↓</b>	27.2	-6.5	<u>0.0 ↓</u>	<b>3.2 ↓</b>	4.5	6.1	7.0	4.0	4.7	<b>4.6 ↑</b>	<b>3.0 ↓</b>
Taiwan	10.9	5.0	3.8	14.6	0.9	<u>1.5</u>	3.8	4.2	4.7	4.8	1.1	1.6	2.2	2.0
Thailand	7.8	3.1	3.6	8.1	-0.8	<u>2.0</u>	4.5	4.5	4.0	4.0	2.9	4.1	3.7	3.6
<b>Africa/Middle East</b>														
Israel	4.8	4.3	2.9	4.7	3.3	<u>2.4</u>	1.2	0.8	3.2	6.1	2.5	4.1	2.8	2.3
South Africa	2.8	3.3	2.7	4.5	1.3	<u>3.3</u>	2.9	2.3	2.6	2.9	3.5	4.6	5.8	5.1
<b>Europe</b>														
Euro area	1.7	1.6	0.9	<b>3.1 ↓</b>	<b>0.6 ↓</b>	<u>0.0</u>	0.5	1.0	1.0	1.5	2.0	2.8	2.5	1.4
Germany	3.6	2.8	1.3	5.5	0.5	<u>0.5</u>	1.0	1.5	1.5	2.0	1.6	2.5	2.2	1.2
France	1.4	1.6	1.3	3.6	0.0	<u>0.5</u>	1.0	1.5	1.5	2.0	1.9	2.2	2.1	1.3
Italy	1.2	0.6	0.6	<b>0.5 ↓</b>	<b>1.2 ↑</b>	<u>-0.5</u>	0.0	0.5	1.0	1.5	2.0	2.9	2.8	1.8
Norway	2.1	2.3	1.8	1.9	4.1	<u>2.0</u>	1.0	1.5	2.0	2.0	2.2	1.4	1.4	1.4
Sweden	5.4	4.4	1.6	3.2	3.9	<u>1.0</u>	1.0	1.5	1.5	2.0	1.9	2.9	<b>2.7 ↓</b>	<b>1.6 ↓</b>
United Kingdom	1.4	1.0	1.4	1.9	0.7	<u>1.5</u>	1.0	1.0	0.5	4.0	3.4	4.4	4.7	2.8
Emerging Europe	4.5	3.6	3.0	3.6	<b>1.2 ↓</b>	<u>1.4</u>	2.2	4.0	3.8	3.8	6.6	7.1	6.0	5.2
Bulgaria	0.2	2.8	2.7	...	...	...	...	...	...	...	...	...	...	...
Czech Republic	2.3	2.0	1.6	<b>3.5 ↓</b>	<b>0.3 ↓</b>	<u>0.3</u>	0.8	1.3	1.8	2.0	2.1	1.8	2.1	2.8
Hungary	1.2	1.5	1.3	1.2	<b>-0.2 ↓</b>	<u>0.0</u>	1.0	1.0	1.5	1.8	4.4	4.0	3.8	3.1
Poland	3.8	3.8	3.0	4.5	4.5	<u>2.0</u>	2.5	2.8	2.8	3.0	2.9	4.6	4.0	2.5
Romania	-1.3	1.2	1.0	...	...	...	...	...	...	...	7.9	8.2	4.0	3.5
Russia	4.0	3.4	3.5	3.7	0.4	<u>1.1</u>	2.0	5.0	4.7	4.5	8.2	9.6	7.4	6.5
Turkey	8.9	5.6	3.3	...	...	...	...	...	...	...	7.4	5.9	6.8	6.1
<b>Global</b>	3.9	<b>2.5 ↓</b>	<b>2.5 ↓</b>	<b>2.6 ↓</b>	<b>1.5 ↓</b>	2.4	<b>2.2 ↓</b>	<b>2.2 ↓</b>	<b>2.6 ↓</b>	<b>3.2 ↓</b>	2.7	3.7	3.4	2.4
Developed markets	2.6	<b>1.3 ↓</b>	<b>1.4 ↓</b>	<b>0.9 ↓</b>	<b>0.6 ↓</b>	1.6	<b>1.3 ↓</b>	<b>1.1 ↓</b>	<b>1.4 ↓</b>	2.2	1.5	2.7	2.6	1.3
Emerging markets	7.3	5.7	5.3	7.2	<u>4.1</u>	4.6	5.0	5.4	5.9	6.1	5.6	6.2	<b>5.7 ↑</b>	5.3

Source: J.P. Morgan

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