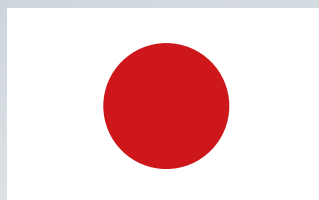
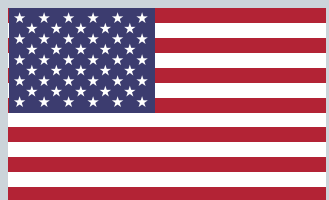


Economic weakness spreading to labour markets



Highlights:

US

Dovish Fed

The Federal Open Market Committee moved closer to easing, with eight of 17 participants favouring a rate cut by end-2019 at the June meeting, after none in March. The Fed's core inflation measure remained below the 2% target, at 1.6% in May.

China

Banking distress

A takeover by regulators of troubled Baoshang Bank raised concern about the health of other small institutions, boosting their funding costs. Consensus hopes of a Q2 economic pick-up were dashed as annual industrial output growth fell to a new low.

Japan

Policy confusion

Bank of Japan quantitative easing slowed to a crawl as the 10-year government bond yield moved further below the zero target. The BoJ's Policy Board held fire on new stimulus measures despite weak core inflation and a looming sales tax hike.

Eurozone

Draghi's last stand

European Central Bank President Mario Draghi signalled further policy stimulus unless economic weakness abates, with rate cuts and more quantitative easing on the table. The manufacturing purchasing managers' index remained stuck near a six-year low in June.

UK

Economy contracting

Output and survey data suggested a Q2 fall in GDP after a solid Q1 boosted by Brexit-related stockbuilding. The Bank of England bucked the global trend by maintaining a tightening bias, though signalled easing in the event of a no-deal Brexit.

Emerging markets

Easing trend

Central banks shifted dovishly despite a rise in headline inflation due to energy and food prices. Official rates were cut in India, Malaysia, the Philippines and Russia in Q2, with falls expected soon in Brazil, Indonesia, South Africa and Turkey.

Trends to watch:

US

Unemployment reversal

A measure of job-finding difficulty in the monthly Conference Board consumer survey rose to a 14-month high in June. The recent turnaround suggests that the unemployment rate is heading higher and will overshoot the Fed's Q4 central forecast.

China

Monetary recovery

Money growth remains weak but a rise could be imminent, based on interest rate falls. Activity news may continue to disappoint near term despite fiscal stimulus but a monetary pick-up would support hopes of a 2020 rebound.

Japan

Confidence slide

Wage growth has remained subdued despite low / falling unemployment. The labour market is now cooling: consumer confidence in employment conditions fell to a 31-month low in June, while the Tankan business survey signalled easing worker shortages.

Eurozone

Stronger euro?

The basic balance of payments position – which combines the current account and direct / portfolio investment flows – has moved into substantial surplus as capital exports have slowed, suggesting underlying support for the euro exchange rate.

UK

Carney capitulation

The stock of job vacancies has fallen since end-2018, signalling a likely employment stall. With activity / inflation data already weak, softer labour market news may trigger belated Bank of England policy easing – even in a benign Brexit scenario.

Emerging markets

Monetary divergence

Narrow money is falling in real terms in Brazil, Mexico and Russia, suggesting economic weakness and an urgent need for policy easing. Growth is strong in Greece, remains solid in India and Poland, and is picking up across South East Asia.

Key market data

Equity market returns for Q2 2019 (%)	Qtr local currency	YTD local currency	Qtr Sterling	YTD Sterling	Qtr Dollar	YTD Dollar
US S&P 500	3.79	17.35	6.26	17.43	3.79	17.35
Japan: Topix	-2.54	3.82	2.45	5.80	0.14	5.73
Euro area: Euro Stoxx	2.42	14.41	6.35	14.06	3.88	13.98
FTSE All Share	1.98	10.39	1.98	10.39	-0.40	10.31
MSCI Far East ex Japan (US \$)	-	-	0.48	9.74	-1.86	9.66
MSCI Emerging Markets (US \$)	-	-	2.07	9.30	-0.31	9.22

Source: Thomson Reuters Datastream, Janus Henderson Investors, index price returns, as at 30 June 2019.

Constituents:

Euro area: EU member states using euro currency (currently 19)

Asia: China, Hong Kong, Indonesia, Malaysia, Philippines, Singapore, South Korea, Taiwan, Thailand, Vietnam

BRICs: Brazil, Russia, India, China

World: G10, Eastern Europe & Africa, Asia, Latin America, Middle East

Consensus GDP growth forecasts (%)	2019	2020	2021
US	2.5	1.8	1.8
Japan	0.7	0.4	0.9
Eurozone	1.2	1.3	1.2
UK	1.3	1.4	1.6
Asia ex Japan	5.6	5.5	5.5
BRICs	5.4	5.4	5.4
World	3.3	3.3	3.1

Source: Bloomberg, economic forecasts, as at 4 July 2019. Forecast GDP = real gross domestic product.

Bonds (%)	30 Jun 2019 yield	Qtr return	YTD return
US 10-year Treasury	2.00	3.79	6.19
Japan 10-year government bonds	-0.16	0.78	1.80
Germany 10-year Bund	-0.32	2.39	6.07
UK 10-year Gilts	0.84	1.32	3.65
Corporate bonds: (Barclays Global Aggregate Corporate Index \$)	-	2.67	6.36
High Yield: (Merrill Lynch Global High Yield \$)	-	2.86	9.53
Emerging market debt (JPM Global Emerging Markets Debt \$)	-	3.76	10.60

Source: Thomson Reuters Datastream, Janus Henderson Investors, as at 30 June 2019.

The above data is intended for illustration purposes only and is not indicative of the historical or future performance or the chances of success of any particular strategy. References made to individual securities should not constitute or form part of any offer or solicitation to issue, sell, subscribe or purchase the security.

	Forecast P/E		Forecast EPS growth (%)	
	2019	2020	2019	2020
World	15.9	14.4	3.5	10.6
Developed	16.4	14.9	3.3	10.0
Emerging markets	12.9	11.3	4.8	14.1
UK	12.9	12.0	2.3	7.9
US	18.1	16.3	2.8	11.2
Eurozone	13.8	12.5	4.3	10.2
Japan	13.0	12.8	-4.9	0.8

Source: Thomson Reuters Datastream, Janus Henderson Investors' calculations, and IBES (Institutional Brokers' Estimates System) estimates for MSCI Indices, as at 30 June 2019. Forecast P/E (price-to-earnings ratio), Forecast EPS (earnings per share).

Consensus inflation forecasts (CPI %)	2019	2020	2021
US	1.9	2.1	2.0
Japan	0.7	1.1	0.8
Eurozone	1.3	1.4	1.6
UK	1.9	2.0	2.0
Asia ex Japan	2.1	2.5	2.6
BRICs	2.7	2.8	2.9
World	3.2	3.0	3.0


Source: Bloomberg, economic forecasts, as at 4 July 2019. Forecast CPI = consumer price index.

Currencies and commodities	30 Jun 2019	Qtr change (%)	YTD change (%)
Yen/\$	107.74	-	-
Yen/£	137.12	-	-
\$/£	1.27	-	-
Euro/\$	0.88	-	-
Euro/£	1.12	-	-
S&P GSCI Total Return Index \$	-	-1.42	13.34
Brent oil (\$/barrel)	-	-2.45	25.86
Gold bullion (\$/Troy oz)	-	9.00	10.22

Source: Thomson Reuters Datastream, Janus Henderson Investors, as at 30 June 2019.


Multi Asset Team: asset allocation dashboard

BONDS



	Outlook	Comments
Global corporate	▼	Strong returns amid a perfect combination of tightening spreads and falling yields, but valuation makes additional allocation hard at these levels.
UK gilts	▼	Mixed economic data prints and Brexit uncertainty have kept yields at low levels but risks feel asymmetric at these levels.
Global sovereign	▼	Dovish central bank sentiment has driven yields lower despite ongoing economic growth, leaving valuations stretched and holding benefits low.
Emerging market debt	◆	Country-specific risks remain a headwind but tempering dollar strength and attractive spreads present a good entry point in local currency debt.
High yield	◆	Strong performance after 2018 volatility has seen spreads tighten but return potential is acceptable in a world of stable growth and dovish central banks.

EQUITIES



	Outlook	Comments
UK	◆	Brexit and sterling dominate the short-term moves but international composition and negative sentiment leave room for contrarian rally.
Europe	▼	Muted macro data and political turbulence remain headwinds, but any pick-up in risk sentiment or economic growth should be positive.
US	▼	Despite the 2018 drawdown the US is now breaching all-time highs. Tech looks crowded and pockets of valuation exist, albeit with risks.
Japan	◆	Valuations look compelling with some positive macro data to support corporate activity, however weakening Chinese growth affects sentiment.
Asia	◆	Trade war headlines and issues around Chinese growth are negatives, although valuations do not appear to be stretched.
Global emerging markets	◆	Trade war headlines and issues around Chinese growth are negatives, although valuations do not appear to be stretched.

CURRENCIES



	Outlook	Comments
£/\$	◆	Brexit-related volatility plagues the UK, while dovish Fed communications and headline risk appetite influences US dollar dynamics.
£/€	◆	Political developments seem likely to continue to drive headlines and market moves on both sides of the Channel.
£/¥	◆	No outright view given Brexit hysteria although the yen does offer safe haven status in a world of positive correlations across most asset classes.

ALTERNATIVES



	Outlook	Comments
Property	◆	Falling yields should help returns but valuations and positioning appears crowded. However, yields remain higher than many asset classes.
Gold	◆	Gold is a useful hedge to hold as markets become more volatile. Returns have improved as investors seek quality and protection.
Oil	◆	Significant volatility in 2019 has reflected a slowing macro backdrop and political noise, however recent OPEC ¹ cuts could prove supportive.

Positive ▲ Neutral ◆ Negative ▼

Source: Janus Henderson Investors at 30 June 2019. These comments reflect the views of Janus Henderson's UK-based Multi-Asset Team and should not be construed as investment advice. These views may differ from those of other Janus Henderson fund managers.

¹OPEC = Organization of the Petroleum Exporting Countries

Janus Henderson

INVESTORS

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