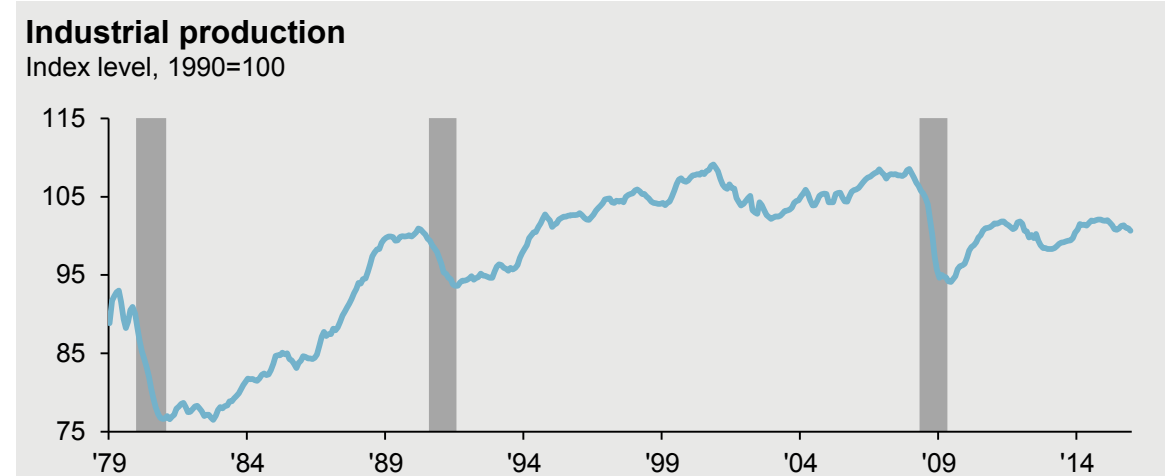
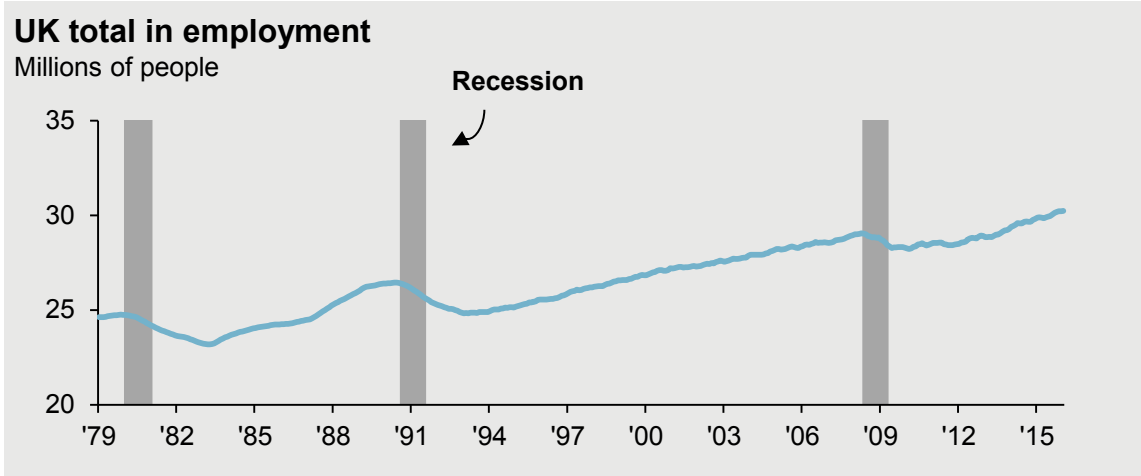
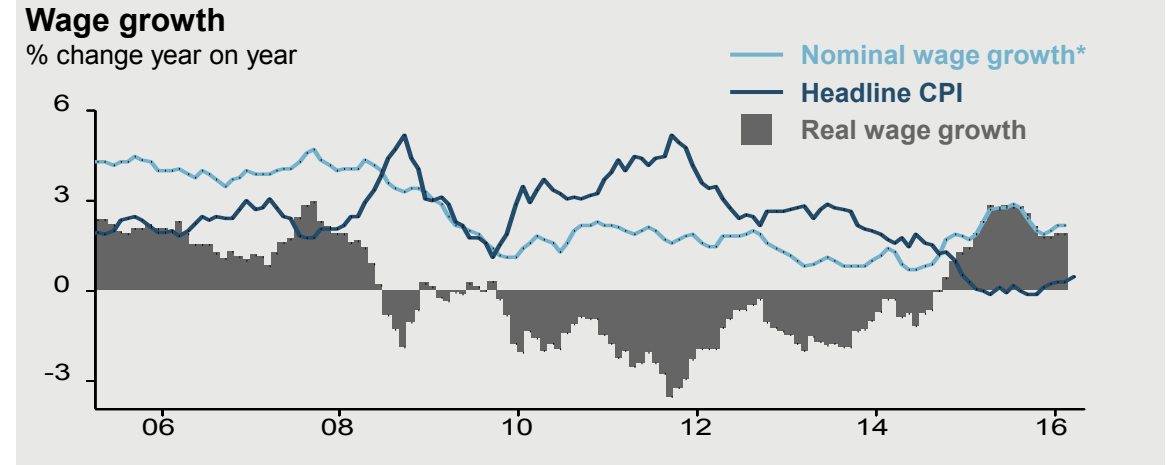
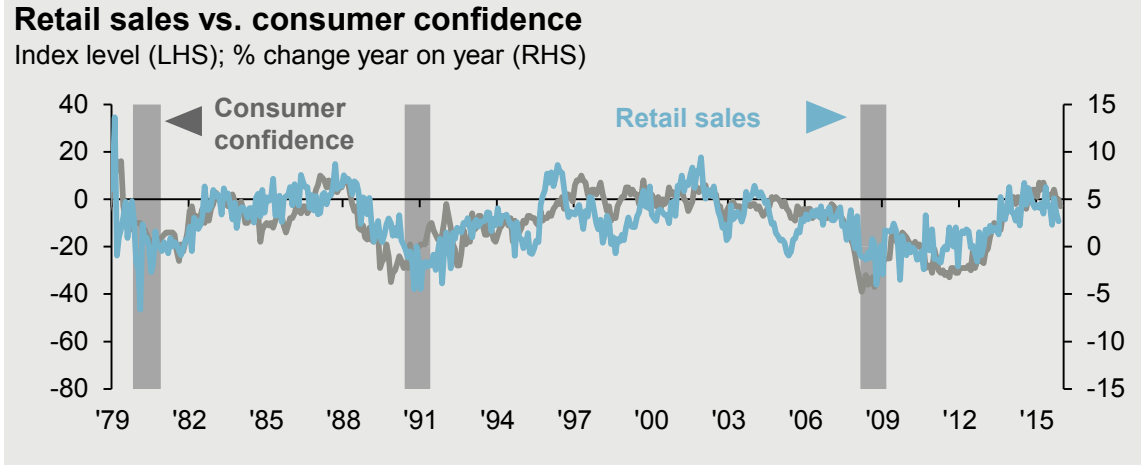
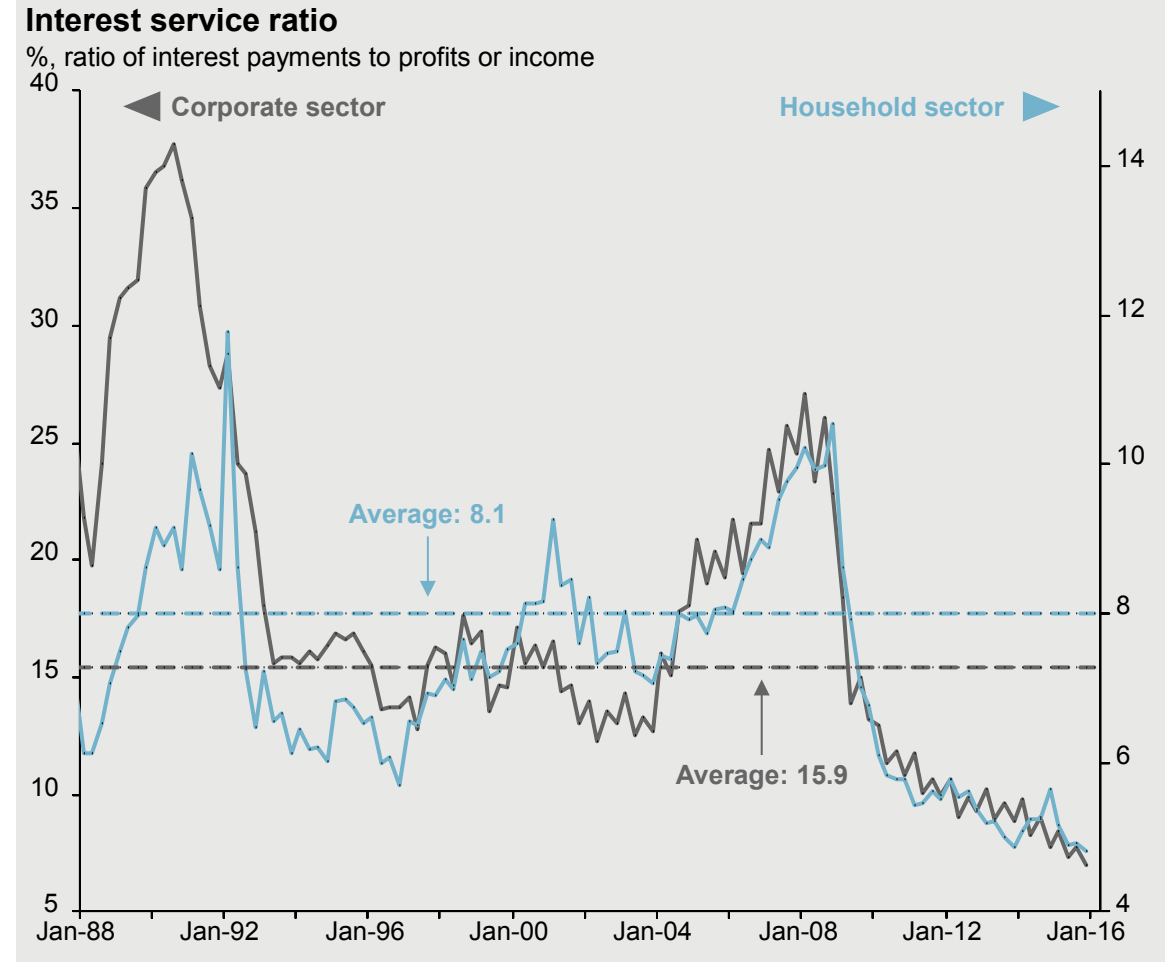
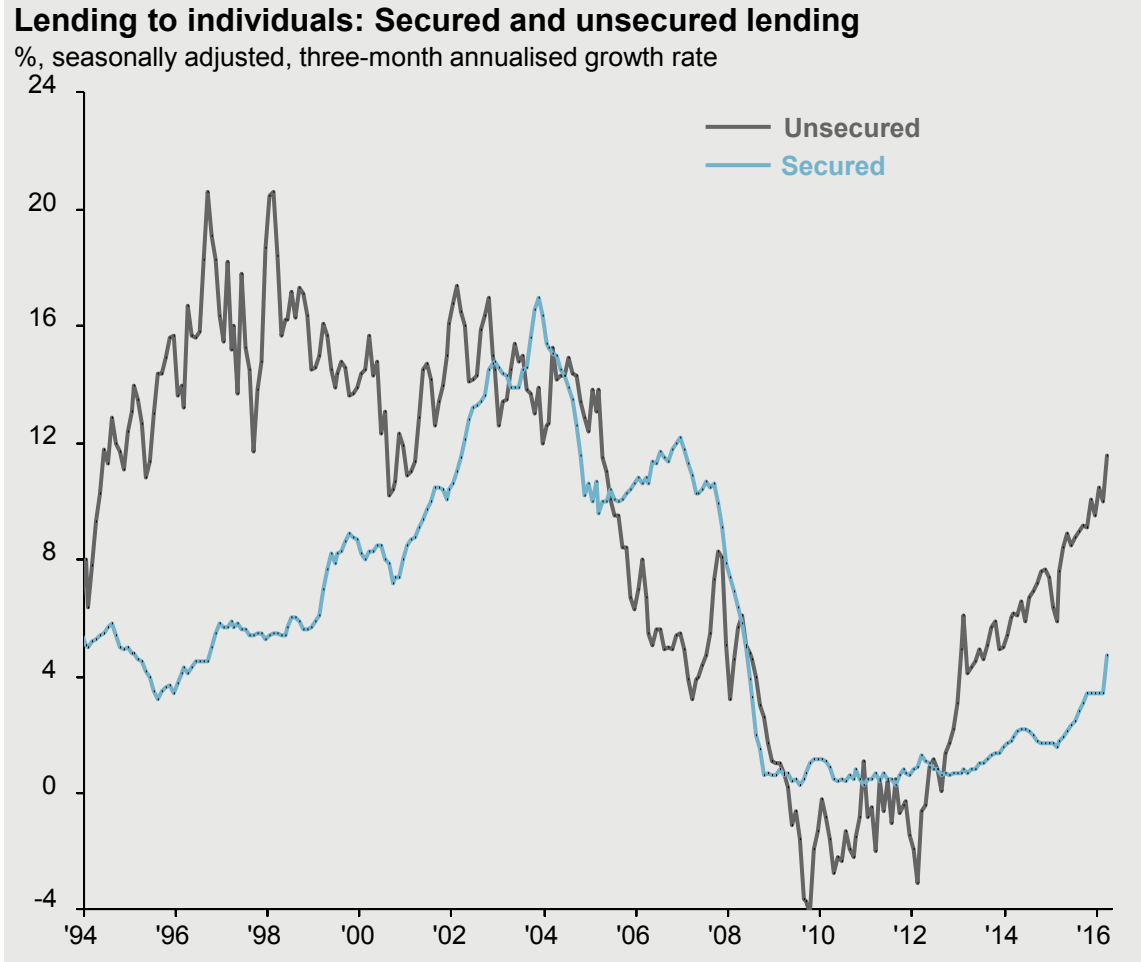


Guide to the Markets

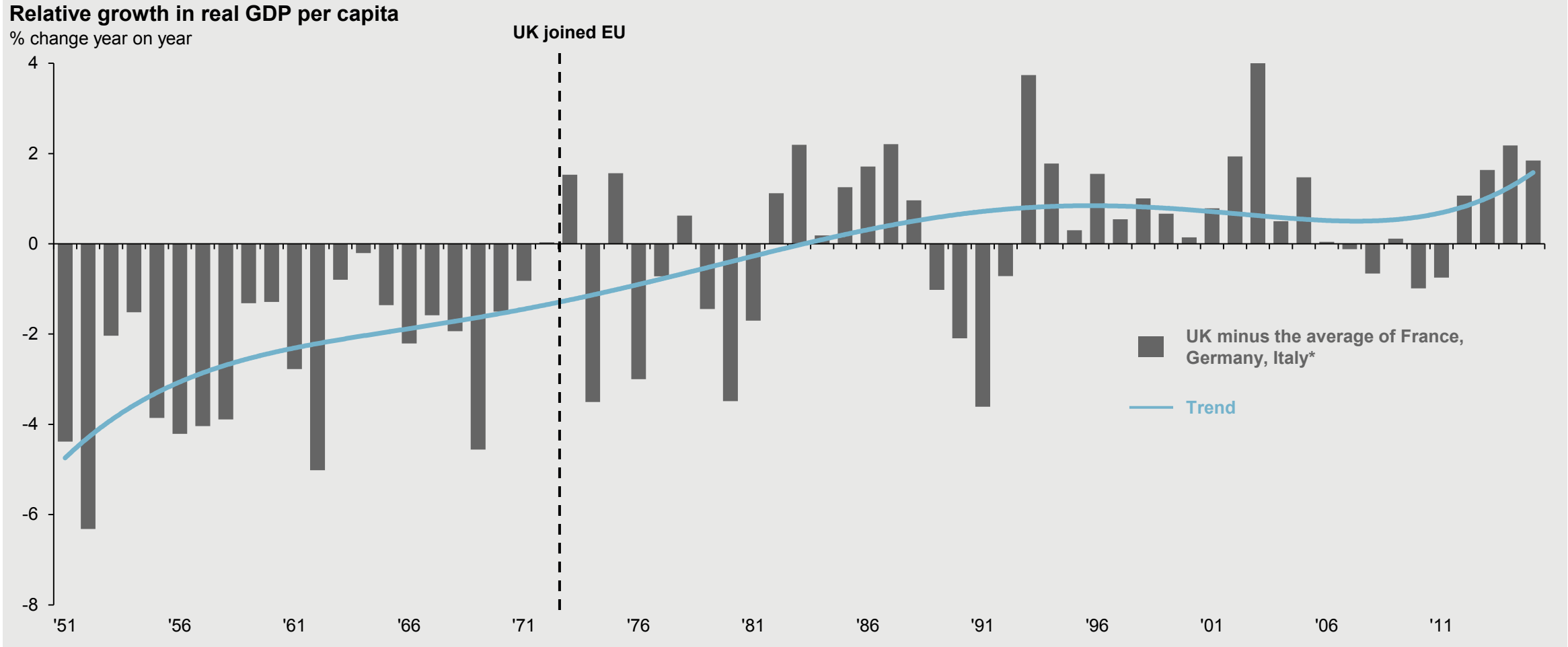
J.P. Morgan



Source: (Top left) GFK, ONS, Thomson Reuters Datastream, J.P. Morgan Asset Management. (Bottom left and bottom right) ONS, Thomson Reuters Datastream, J.P. Morgan Asset Management. (Top right) FactSet, ONS, J.P. Morgan Asset Management. *Nominal wages include bonuses.
 Guide to the Markets - UK. Data as of 30 April 2016.



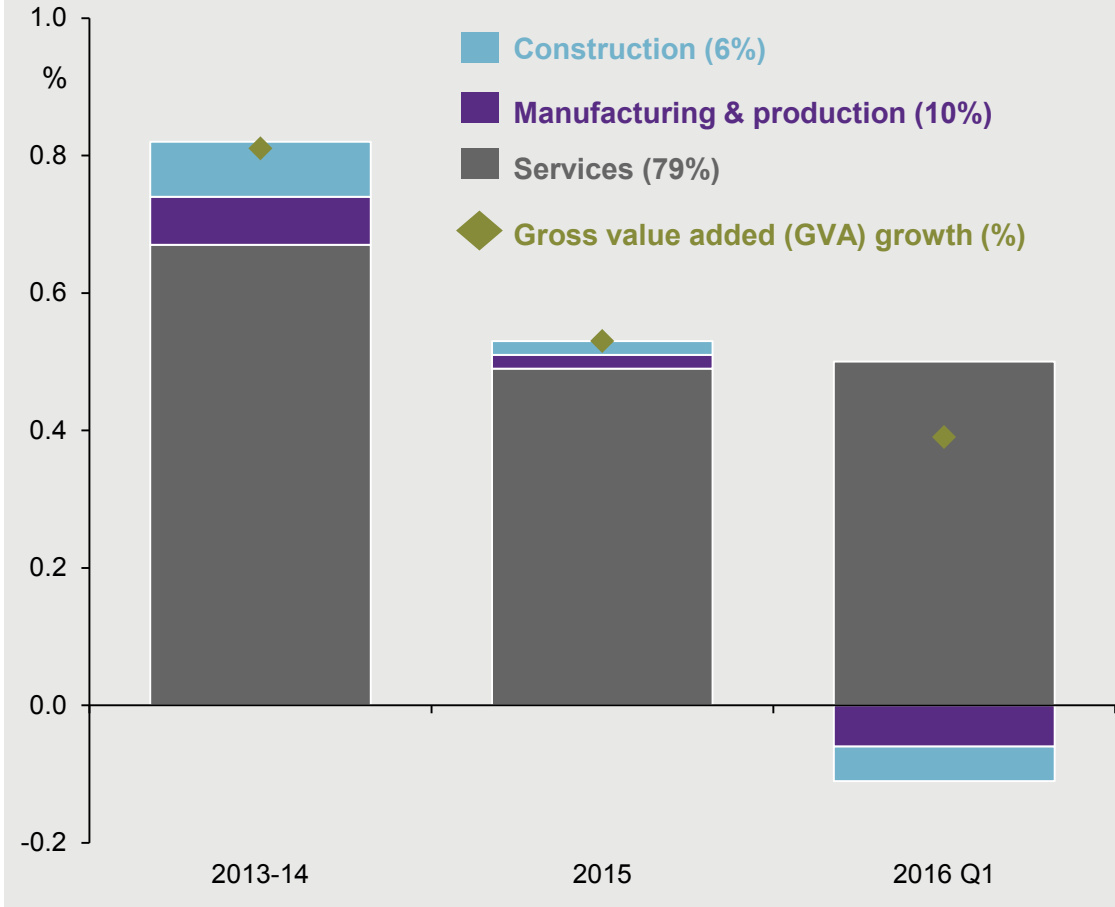
Source: (Left) Bank of England, FactSet, J.P. Morgan Asset Management. (Right) ONS, J.P. Morgan Asset Management. *Guide to the Markets - UK*. Data as of 30 April 2016.



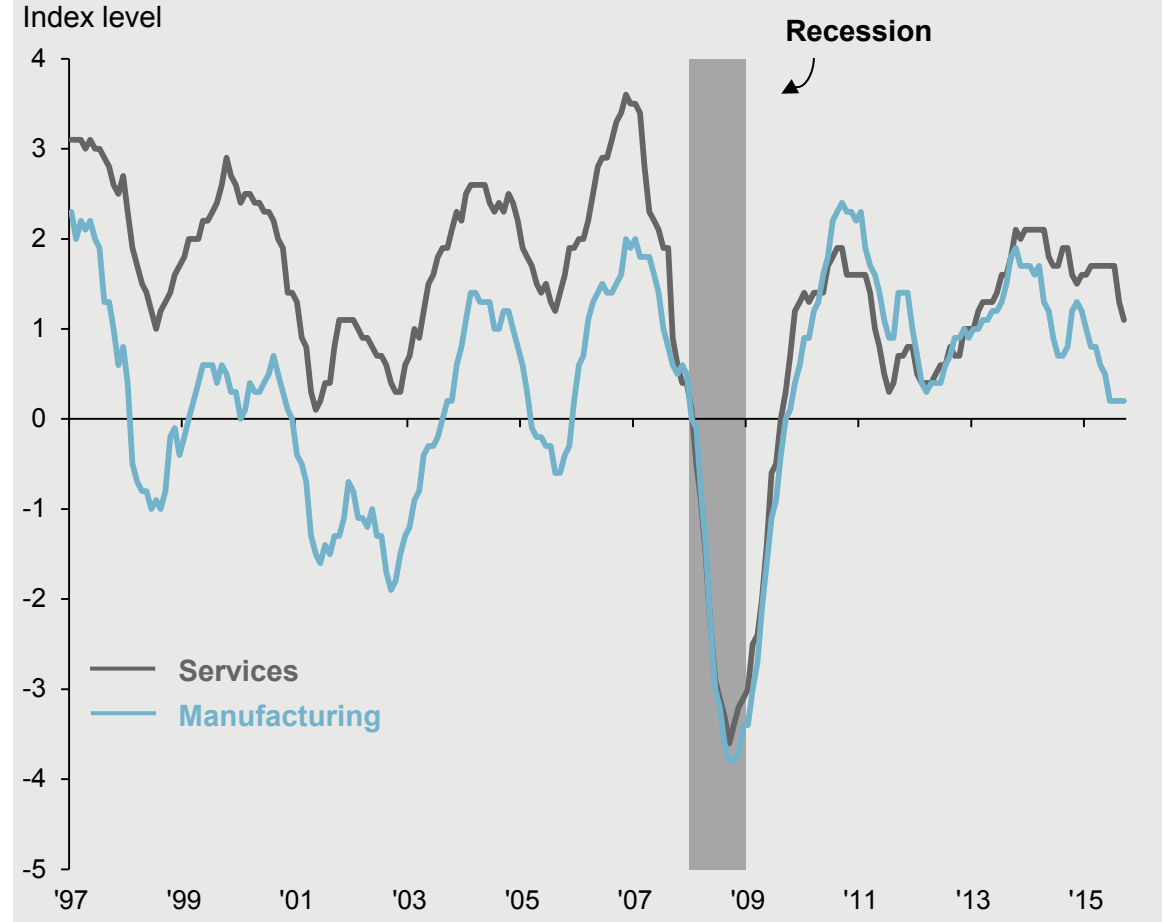
Source: European Commission, J.P. Morgan Asset Management. Trend is polynomial regression with order of five. *Combined GDP per capita growth. Guide to the Markets - UK. Data as of 16 May 2016.

But the economy has slowed in 2016...

Contributions to average quarterly GVA growth by sector

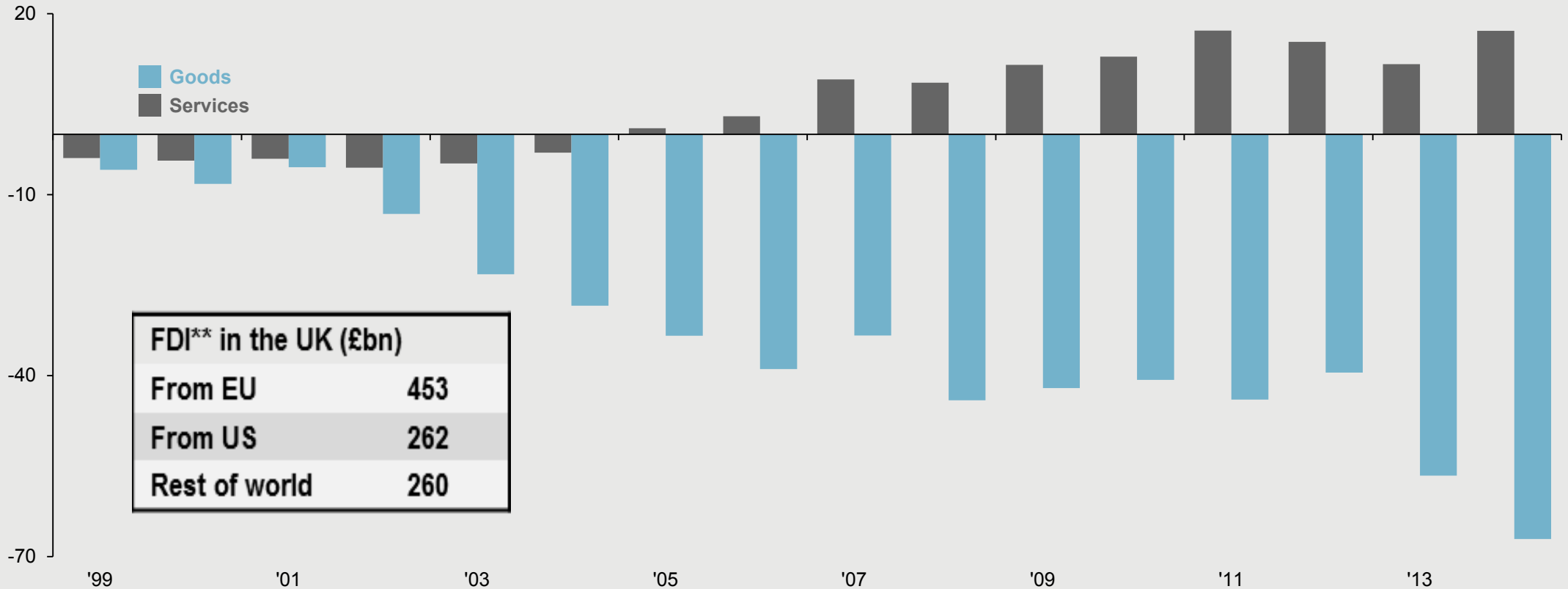


Manufacturing and services investment intentions



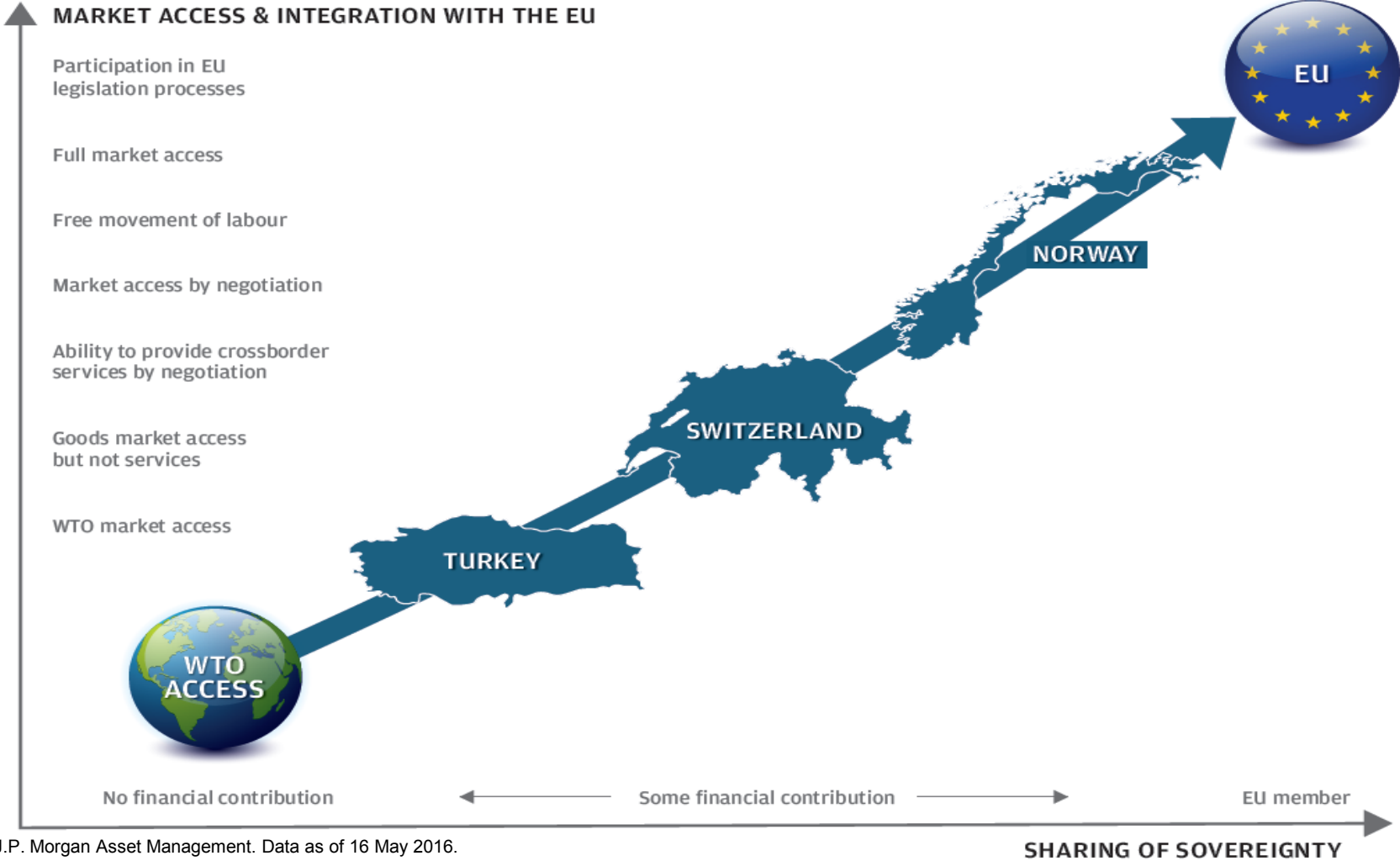
Source: (Left) Bank of England, J.P. Morgan Asset Management. (Right) Bank of England, Thomson Reuters Datastream, J.P. Morgan Asset Management. *Guide to the Markets - UK*. Data as of 16 May 2016.

UK trade balance with the EU
GBP billions



Source: Haver, J.P. Morgan Asset Management. **FDI is foreign direct investment as of 2013. Data as of 30 April 2016.

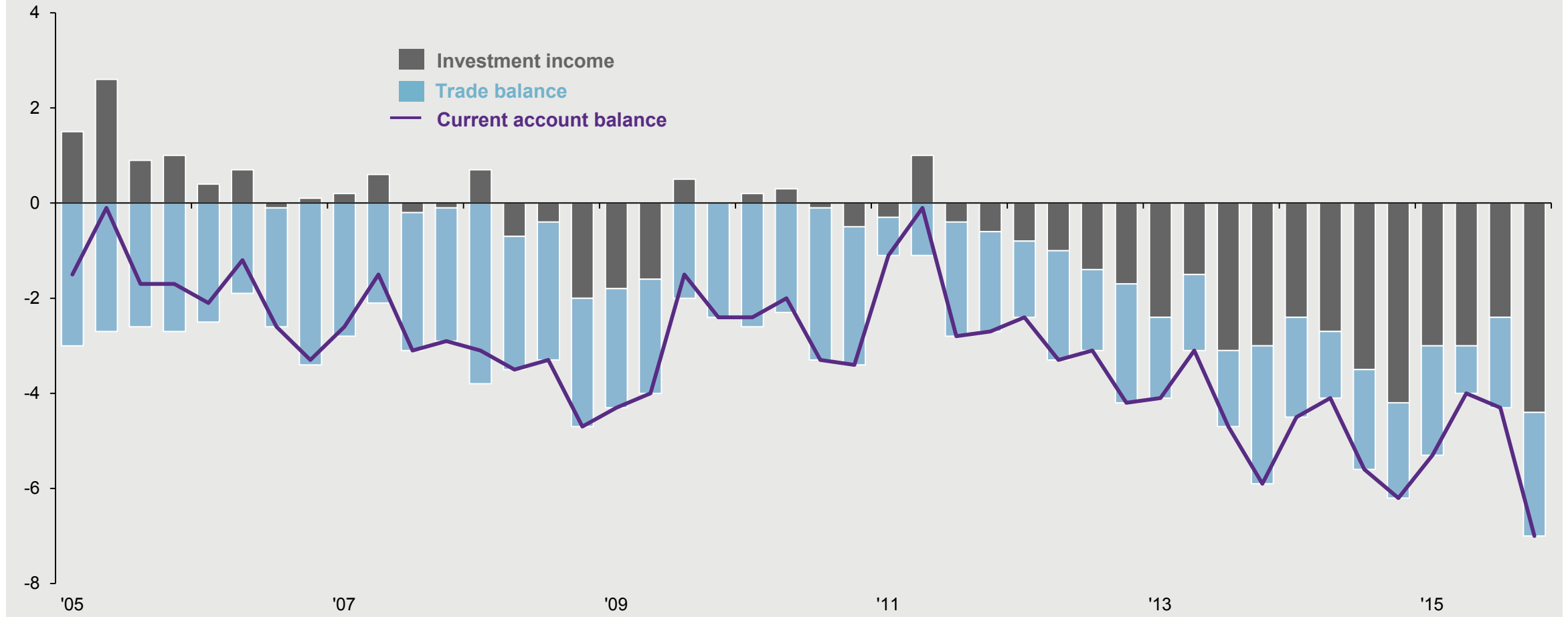
Much about Brexit is uncertain, but not the trade-off between market access and integration



Source: J.P. Morgan Asset Management. Data as of 16 May 2016.

UK runs a large current account deficit

Current account balance, % of GDP



Source: FactSet, ONS, J.P. Morgan Asset Management. Data as of 16 May 2016.

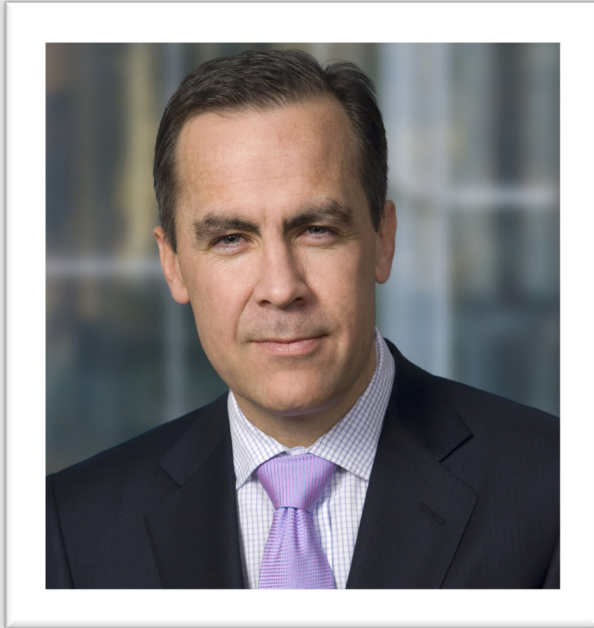
Sterling has already fallen

Trade weighted GBP



Source: J.P. Morgan Economic Research, J.P. Morgan Asset Management. Data as of 16 May 2016.

Brexit would pose a “challenging trade-off” to the Bank



“A vote to leave the EU could have material economic effects on the exchange rate, on demand and on the UK’s supply potential.”

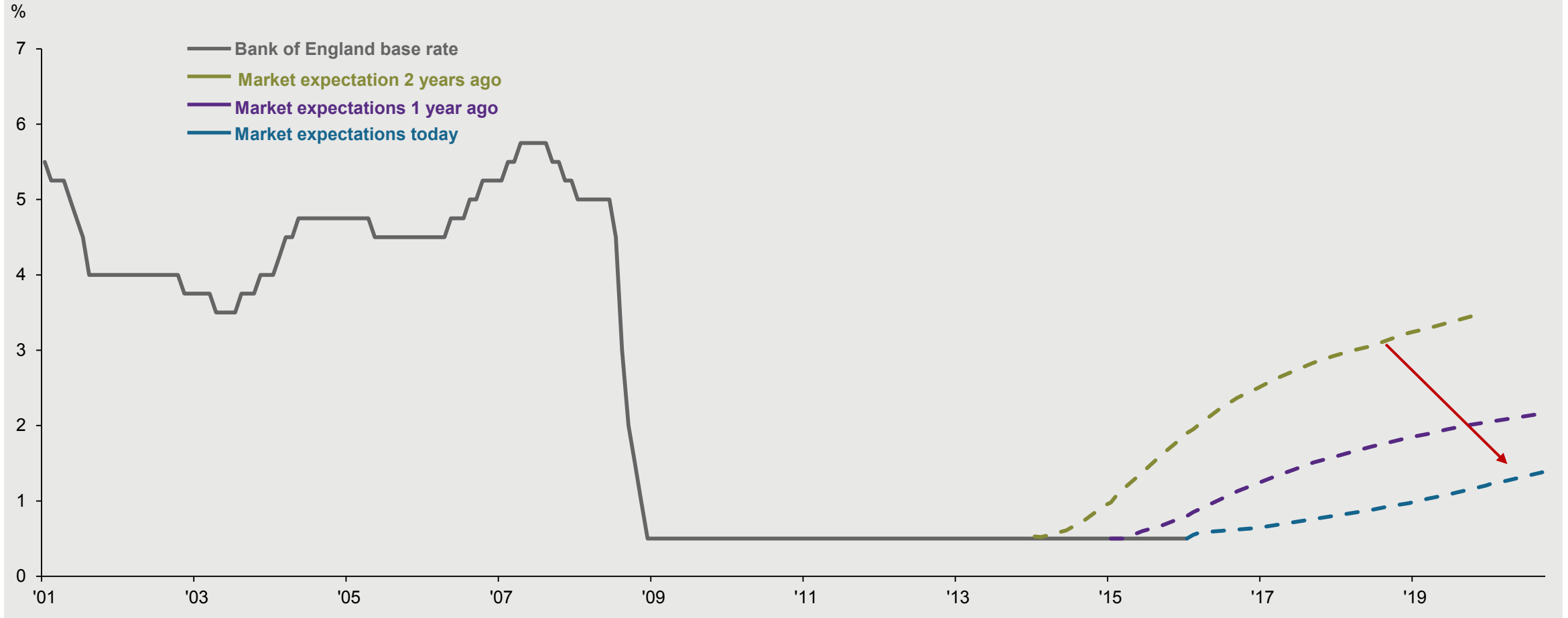
“The combination of these... could lead to a materially lower path for growth and a notably higher path for inflation.”

“.....the MPC would face a **challenging trade-off** between stabilising inflation on the one hand, and stabilising output and employment on the other. **The implications for monetary policy would not be automatic.**”

Source: Mark Carney, Inflation Report Press Conference, Bank of England, 12 May 2016.

With Bremin, rates could rise sooner than market pricing, but Bank of England in no hurry

Bank of England interest rate and market forecast

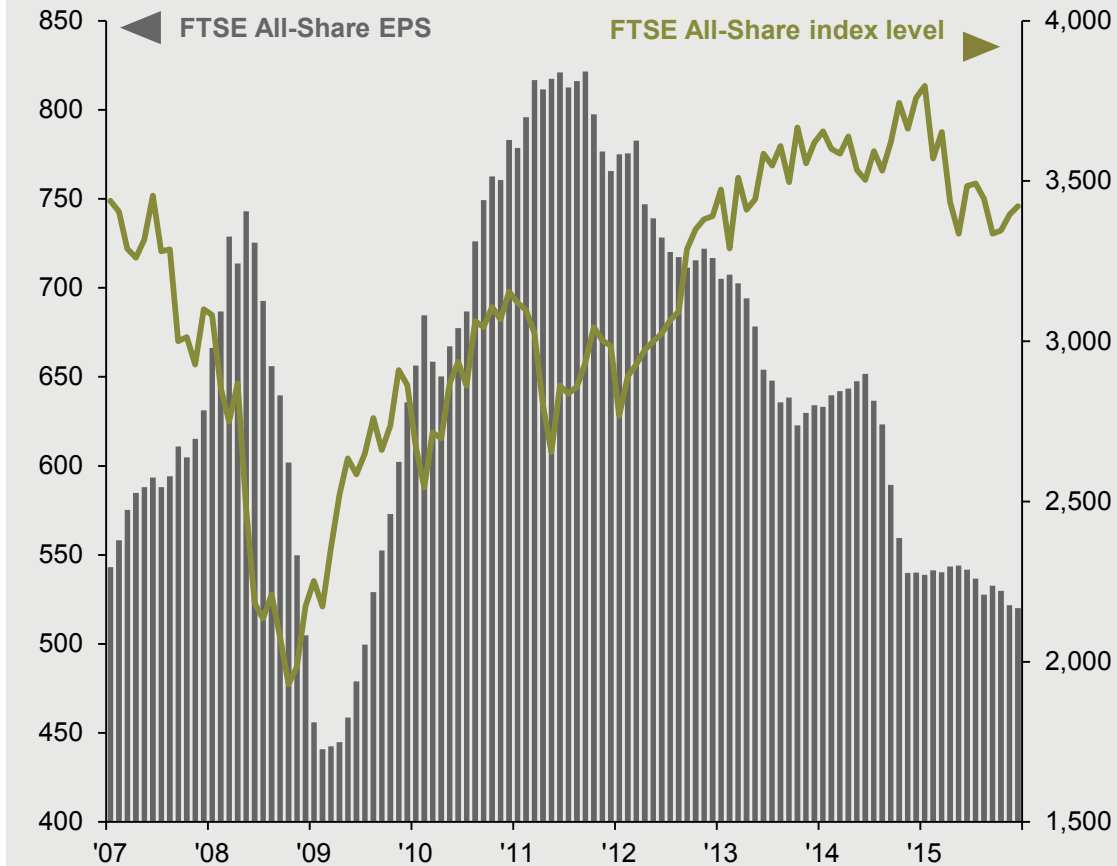


Source: Bloomberg, J.P. Morgan Asset Management. Data as of 4 April 2016.

Without Brexit, investors could warm to UK equities

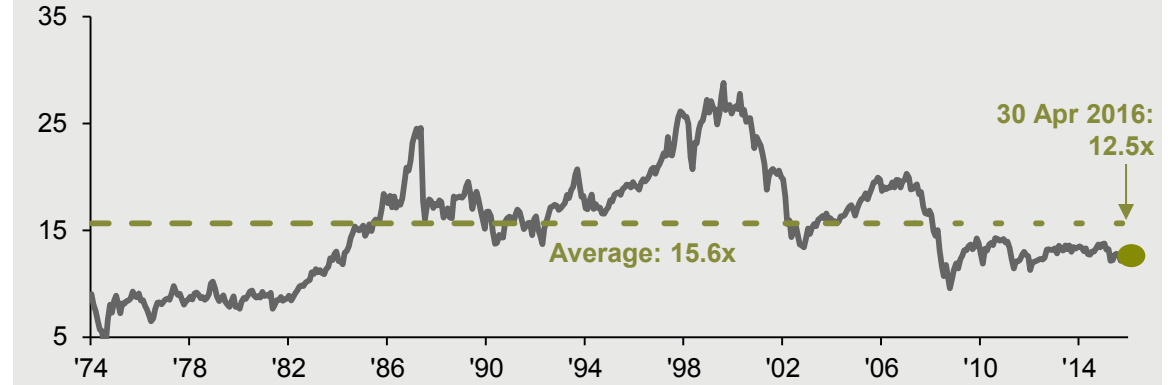
FTSE All-Share earnings and performance

GBP, next 12 months earnings estimates (LHS); Index level (RHS)



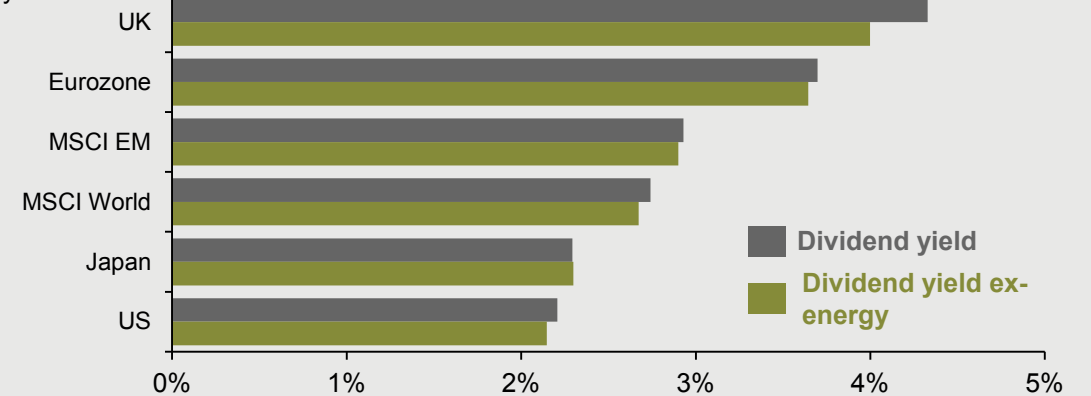
FTSE All-Share Shiller CAPE

x, adjusted using trailing 10-year average inflation-adjusted earnings



Dividend yield and ex-energy dividend yield

% yield



Source: (Left) FactSet, FTSE, J.P. Morgan Asset Management (Top right) FTSE, J.P. Morgan Asset Management. (Bottom right) FactSet, FTSE, J.P. Morgan Asset Management. Data as of 13 May 2016.

J.P. Morgan Asset Management: Risks and disclosures

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