

Is the World Really Ready for Normalization of US Monetary Policy?

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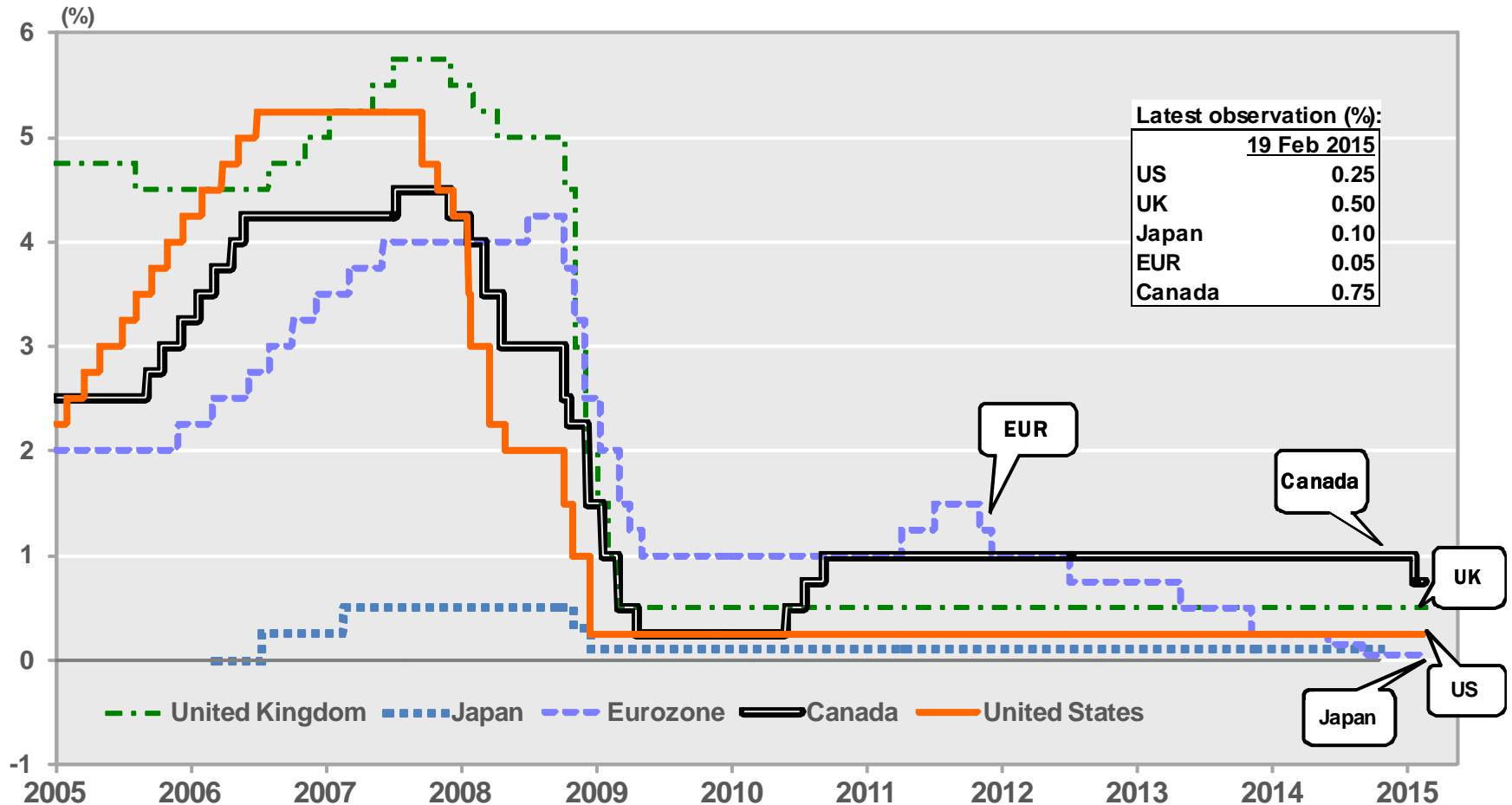
Is the World Economy Ready for Normalization of U.S. Monetary Policy

- **Monetary Policies, Leverage & Debt**
- **Economic Activity Expands**
- **U.S. Labor Market Improves**
- **Low U.S. Price and Wage Inflation**
- **Developments in Energy Markets:
Tailwind for the U.S. Economy**

Monetary Policies, Leverage & Debt

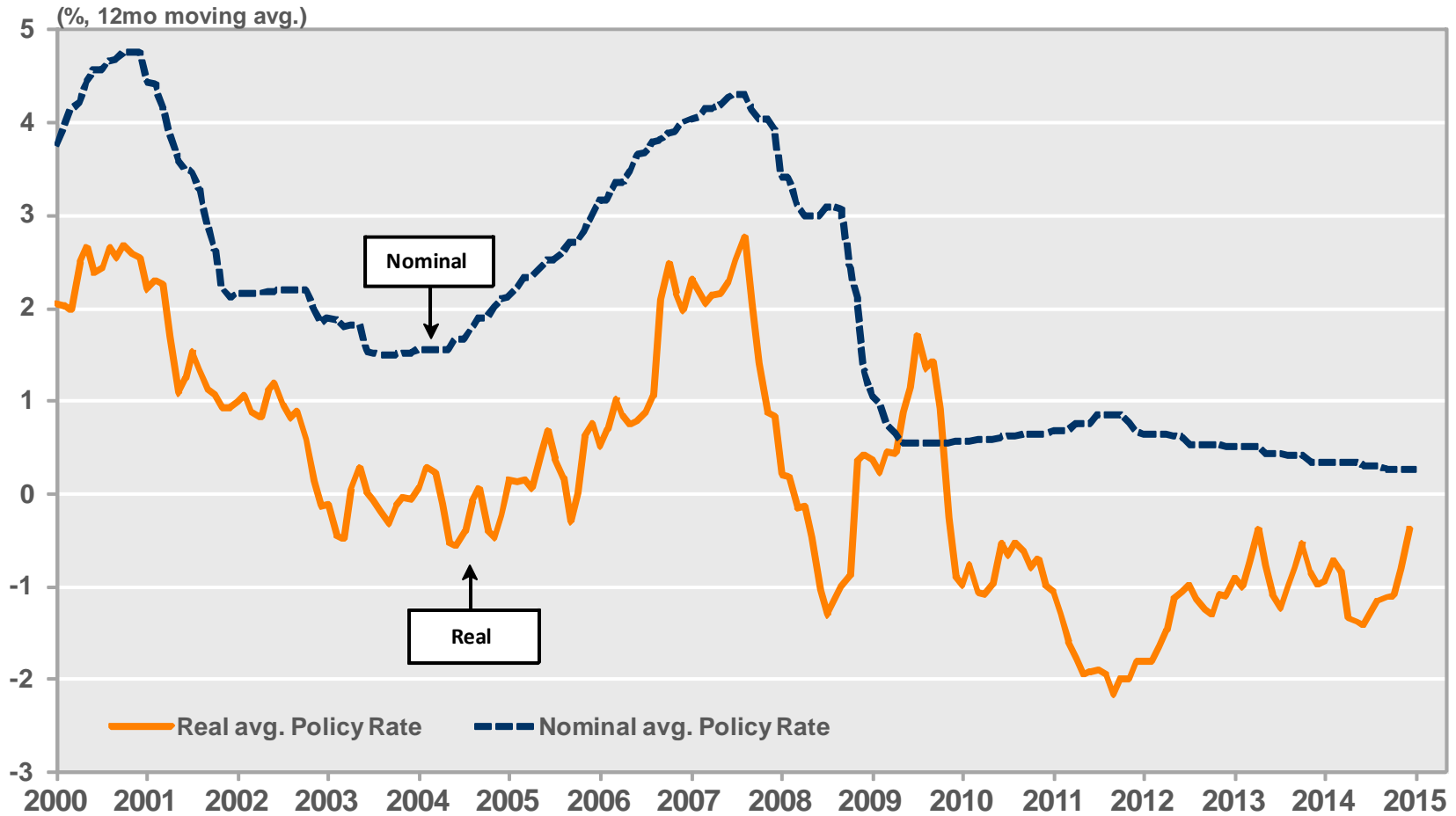
- **Global Policy Rates Near Zero**
- **Central Bank Balance Sheets Expand**
- **Leverage and Deleverage Diverge**
- **Spreads in Eurozone Decline but Some Fragmentation Remains**

Central Bank Policy Interest Rate



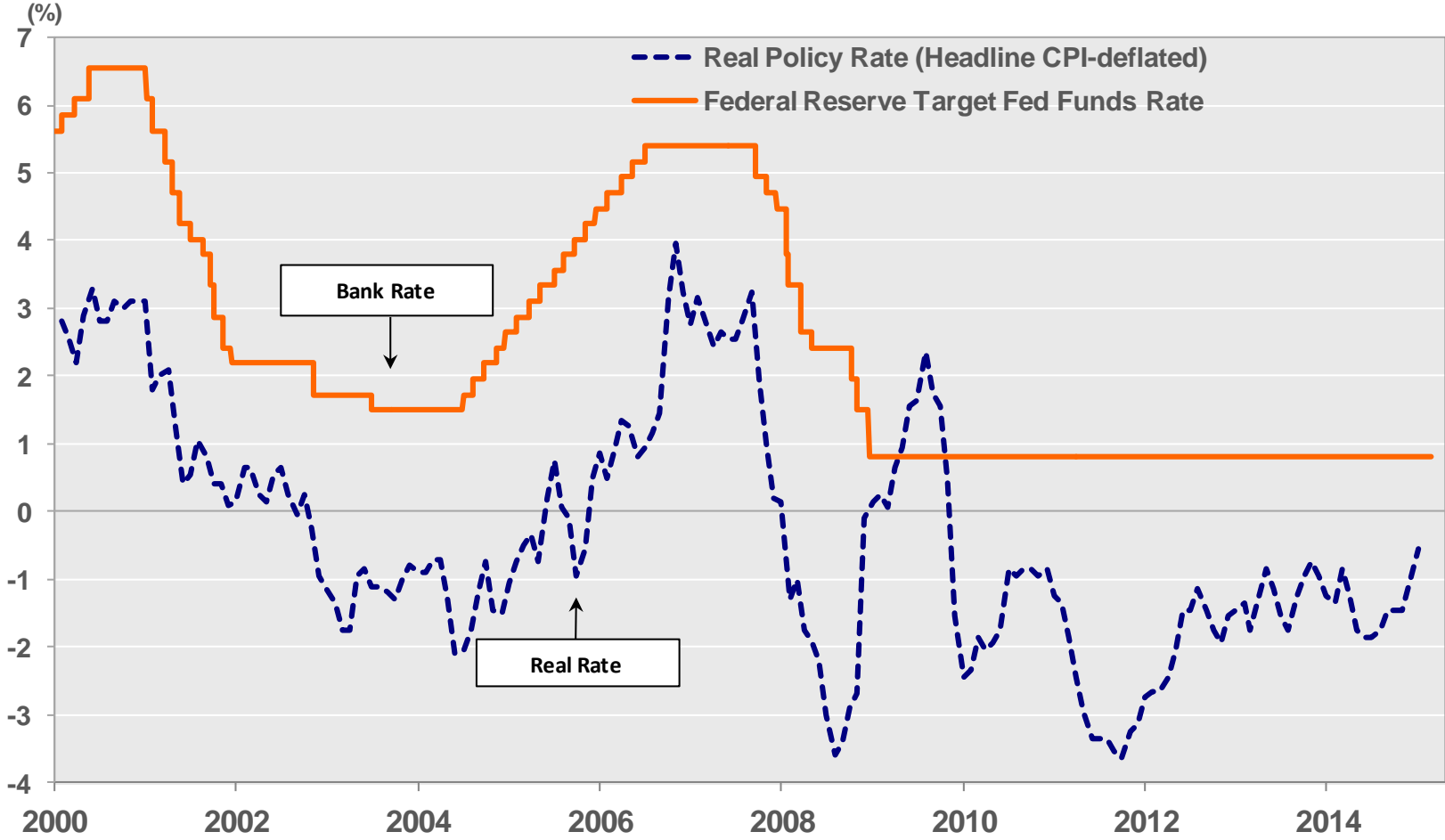
Source: Bloomberg Market Data, Last observation: 19 Feb, 2015

Global Policy Rates: Developed Markets



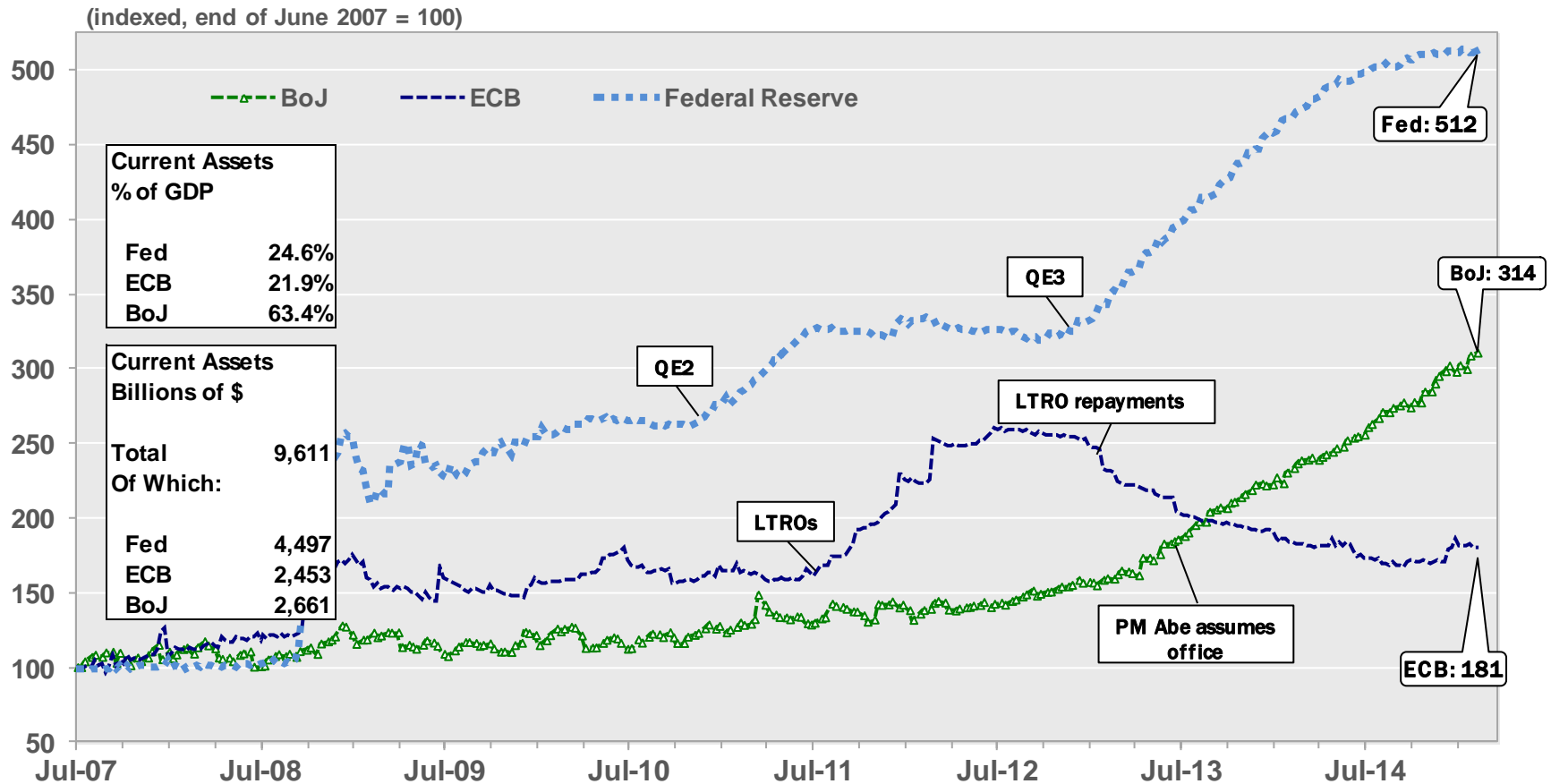
Source: JPMorgan Chase, National Statistical Institutes, Last Observation: Nominal - January 2015; Real - December 2014

U.S. Monetary Policy Rates



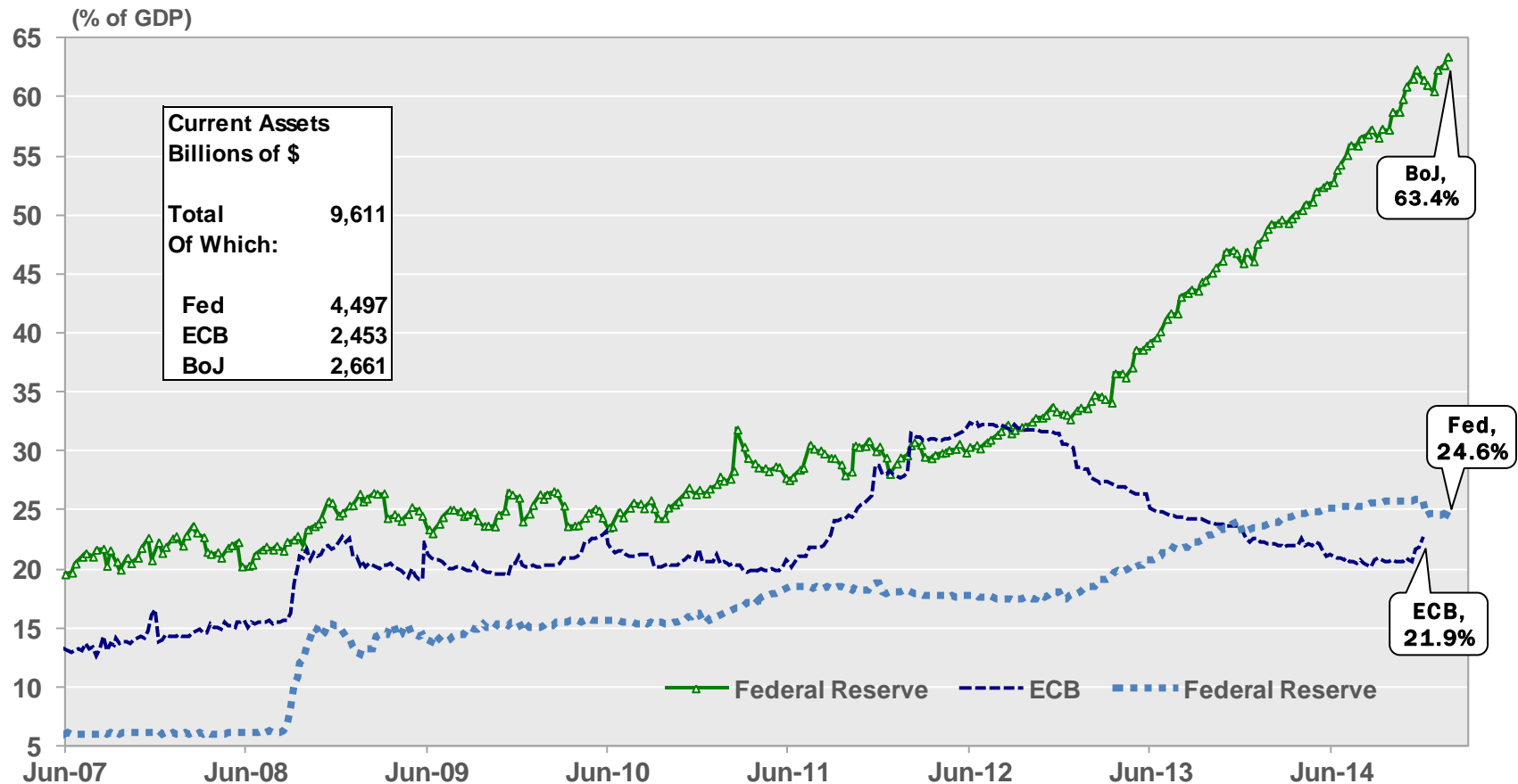
Source: Fed; Last Observation: Main Policy Rate - 23 Feb, 2015; Real Rate - Dec 2014 (Fed)

Total Assets of Key Central Banks (indexed levels)



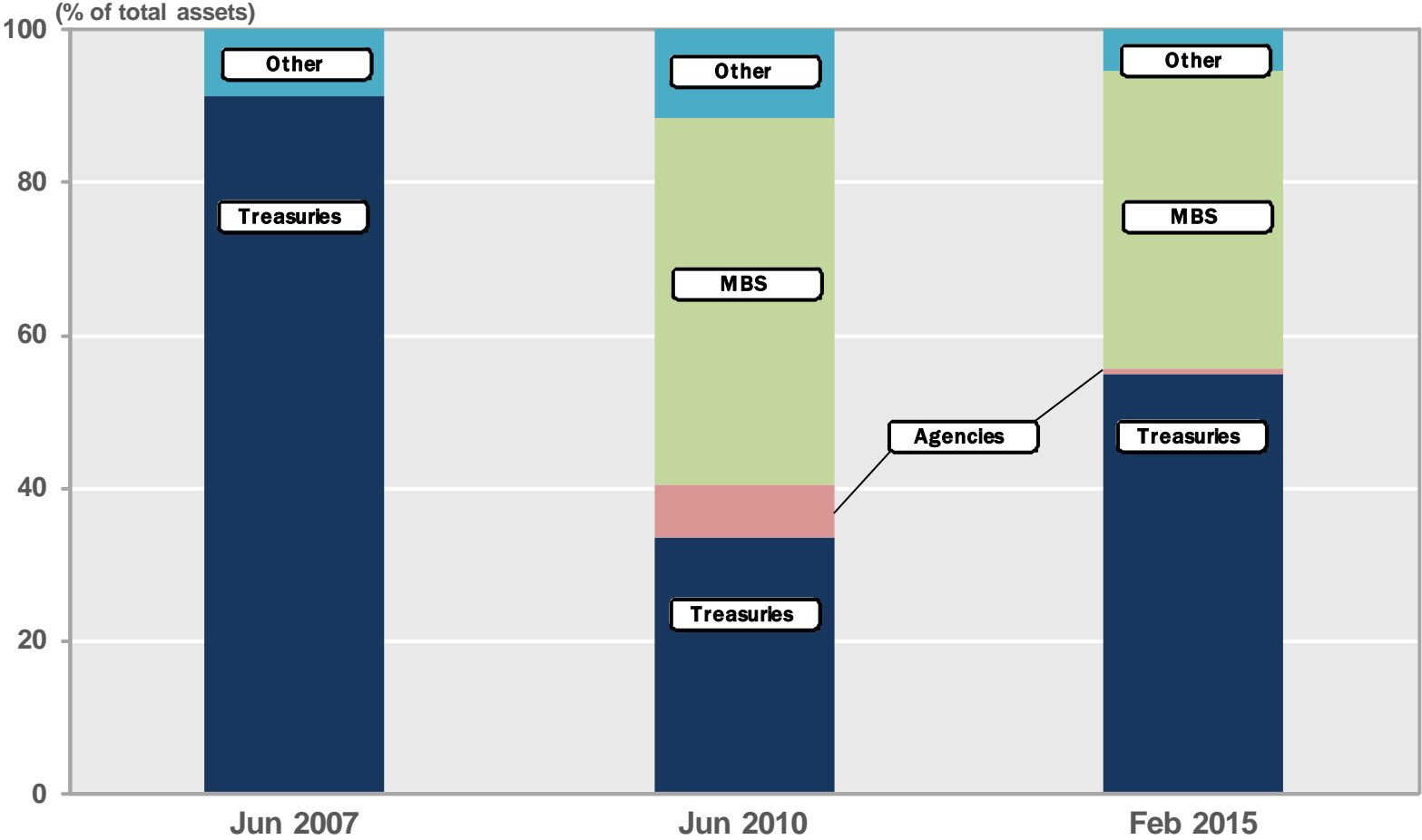
Source: Bloomberg; Last Observation: Fed: Feb 18, 2015; ECB: Feb 13, 2015; BoJ: Feb 20, 2015.

Total Assets of Key Central Banks (share of GDP)



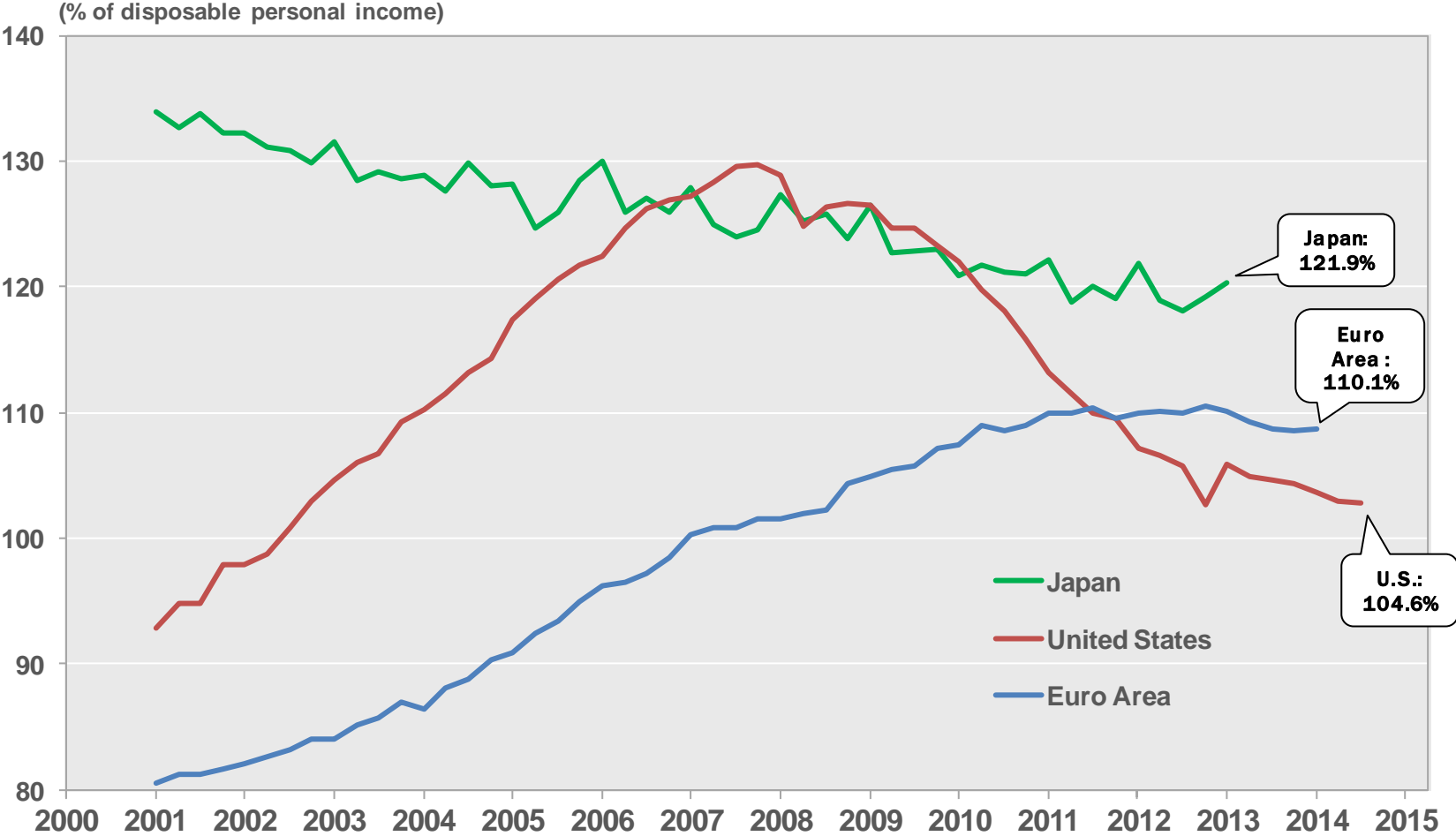
Source: Bloomberg; Last Observation: Fed: Feb 18, 2015; ECB: Feb 13, 2015; BoJ: Feb 20, 2015.

Composition of Federal Reserve Assets



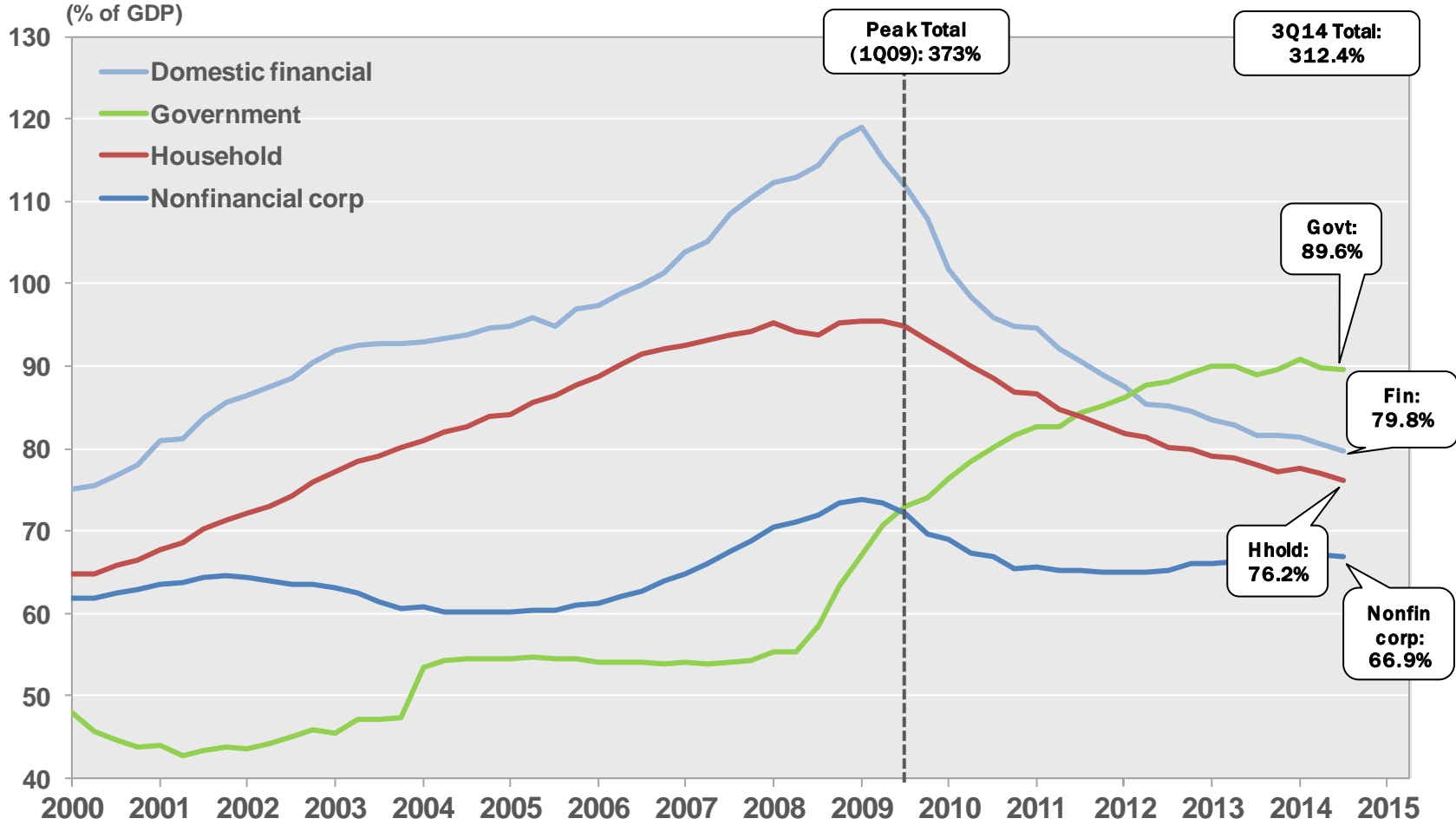
Source: Federal Reserve, Bloomberg, Last Observation: February 18, 2015.

Household Debt to Disposable Income



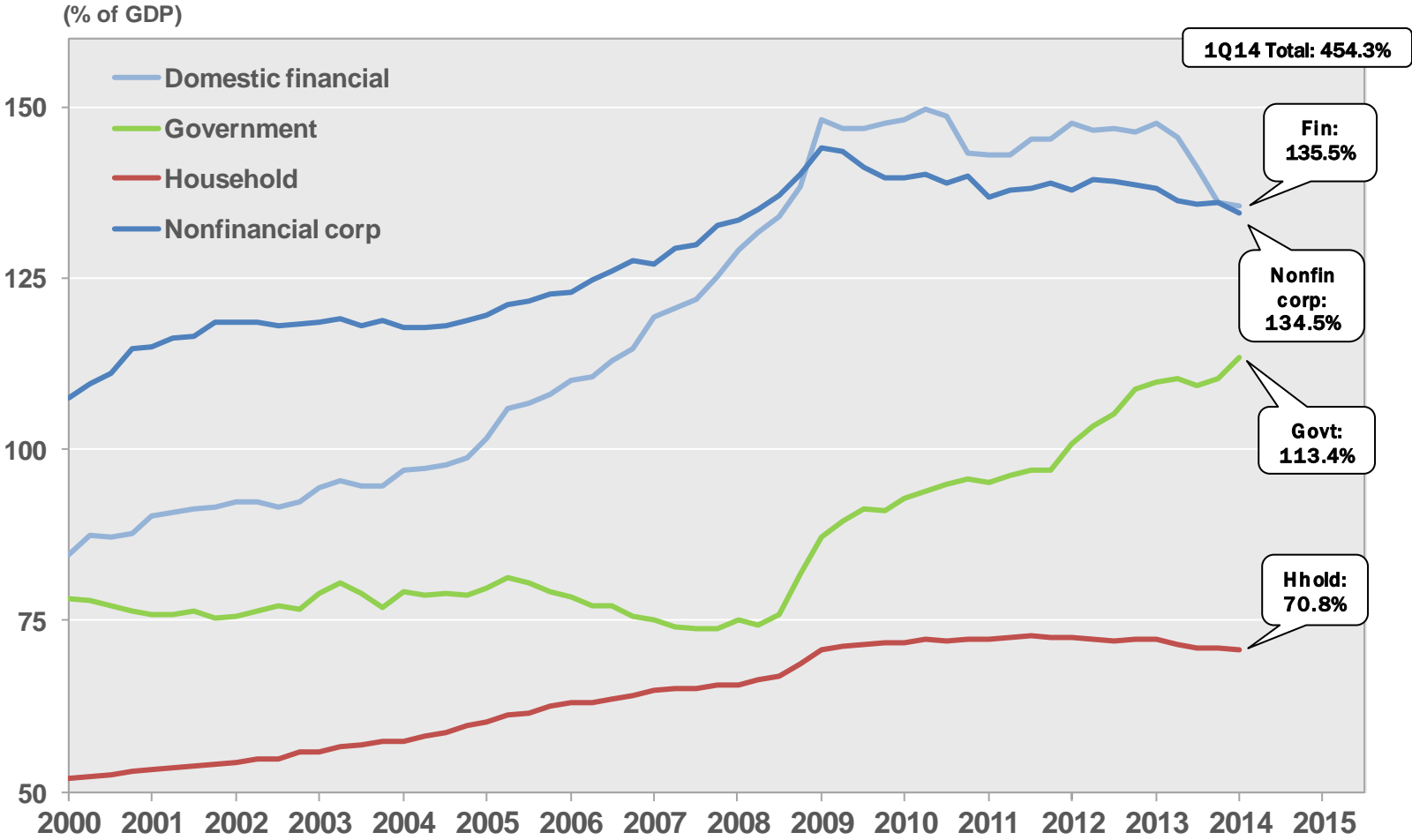
Source: Haver analytics; last observation Q3 2014.

US: Gross Debt Outstanding by Sector



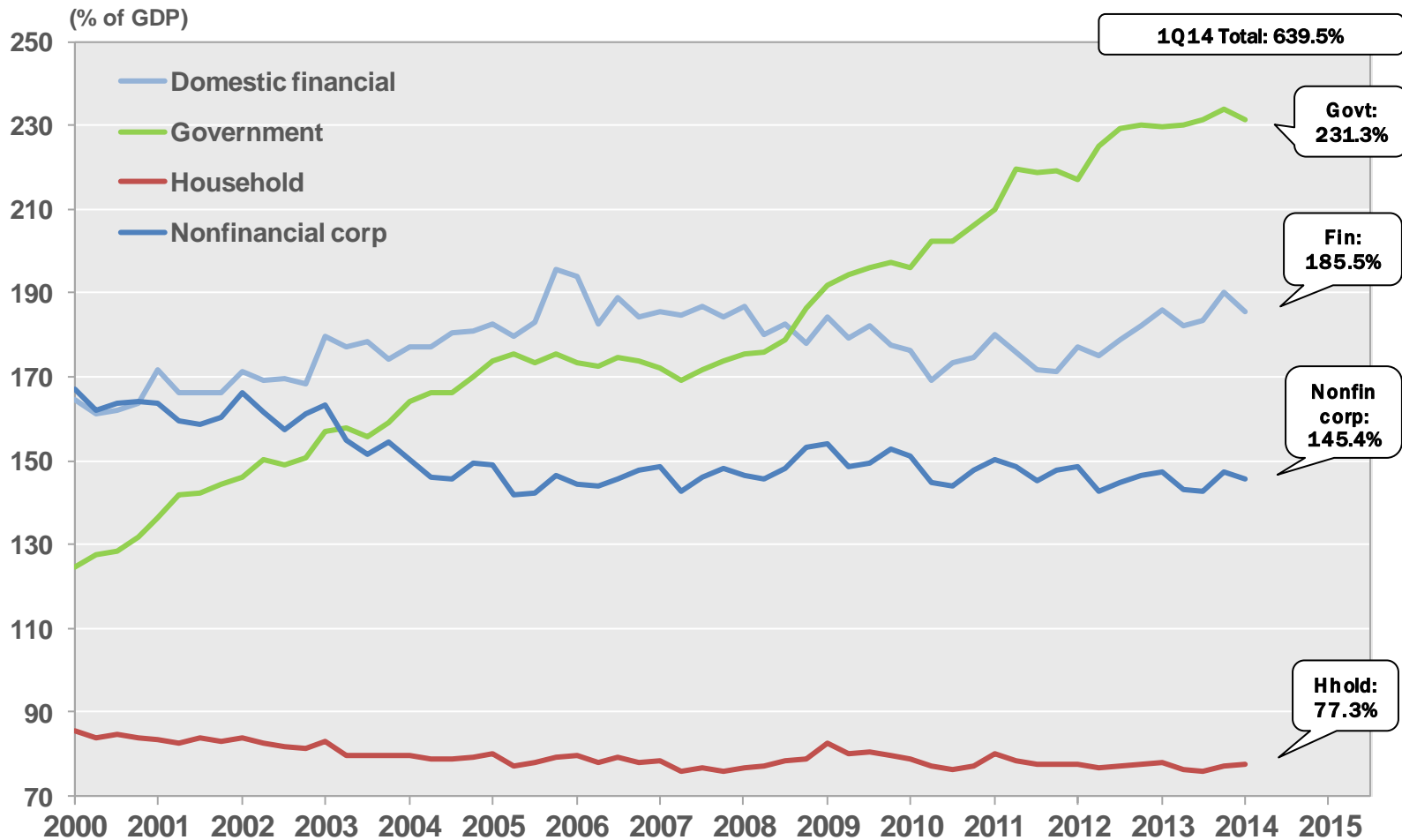
Source: Haver analytics; last observation Q3 2014.

Euro Area: Gross Debt Outstanding by Sector



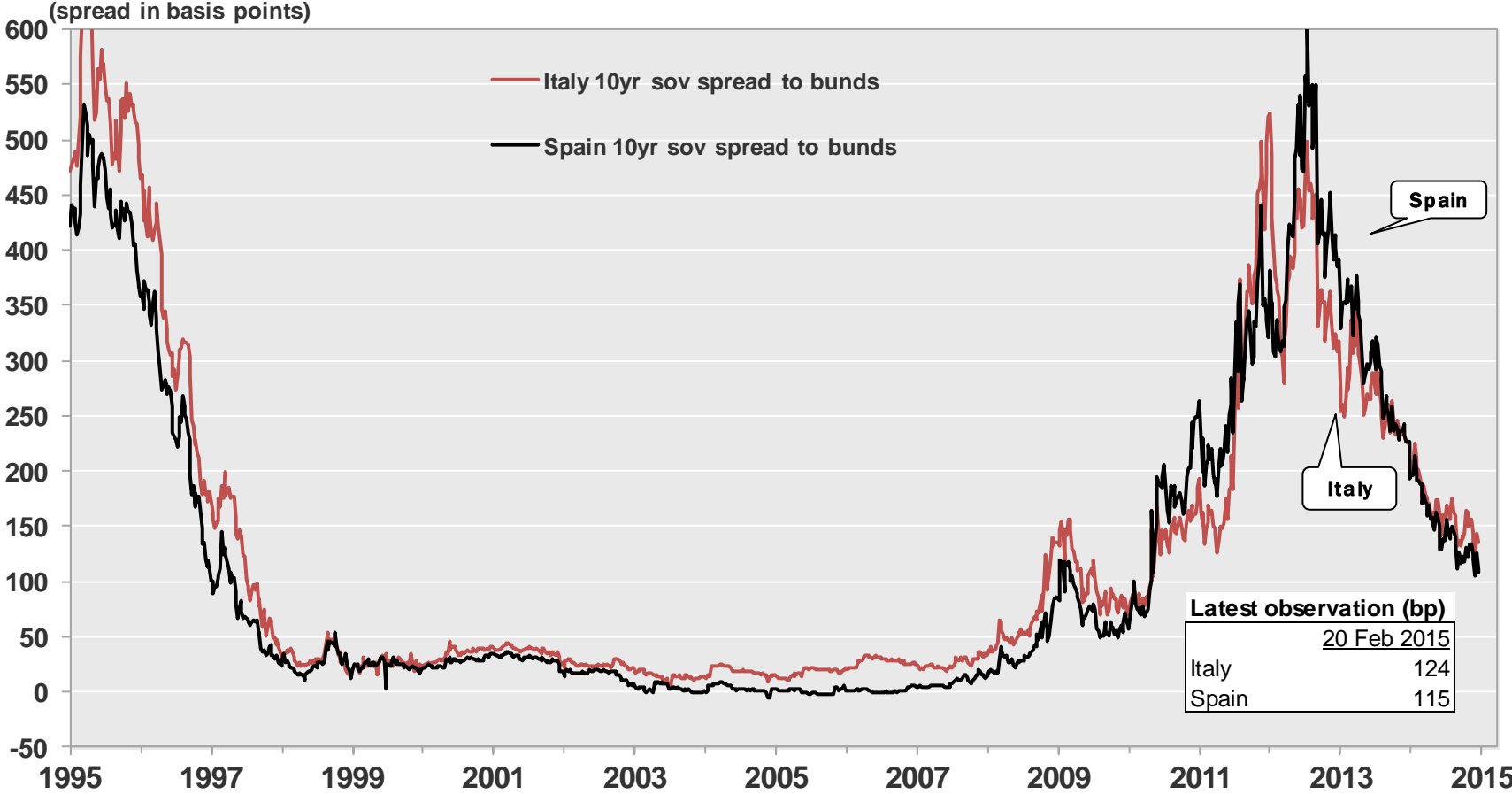
Source: Haver analytics; last observation Q1 2014.

Japan: Gross Debt Outstanding by Sector



Source: Haver analytics; last observation Q1 2014.

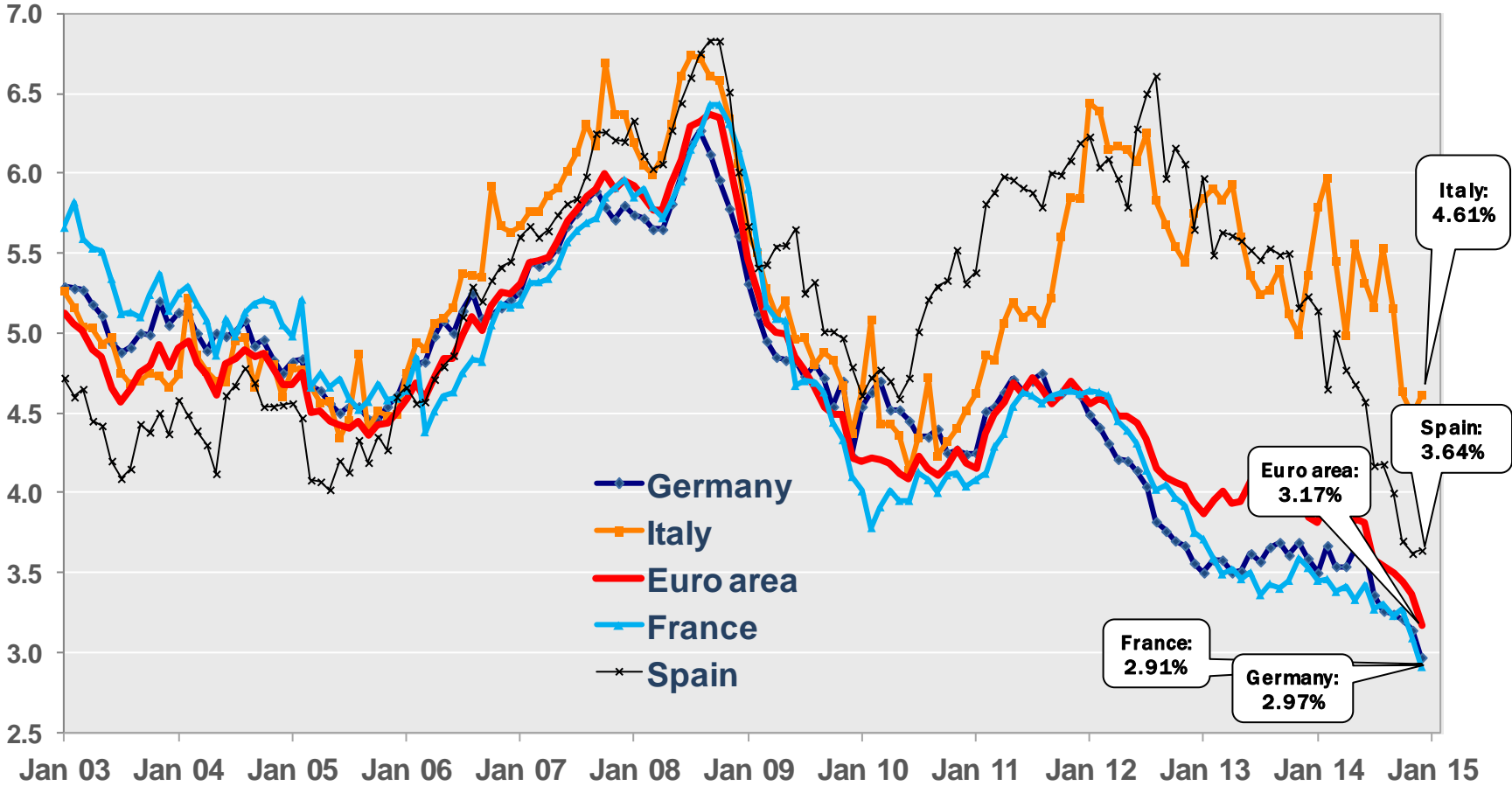
10yr Sovereign Bond Spreads



Source: For 10yr yields, Reuters, Bloomberg, last update 20 Feb, 2015; for gross debt, IMF World Economic Outlook, last update Oct 2014.

Fragmentation in Euro Area Borrowing Rates

(%ar, non-financial corporate borrowers; loan maturity between 1 and 5 years, <1 mn euros)

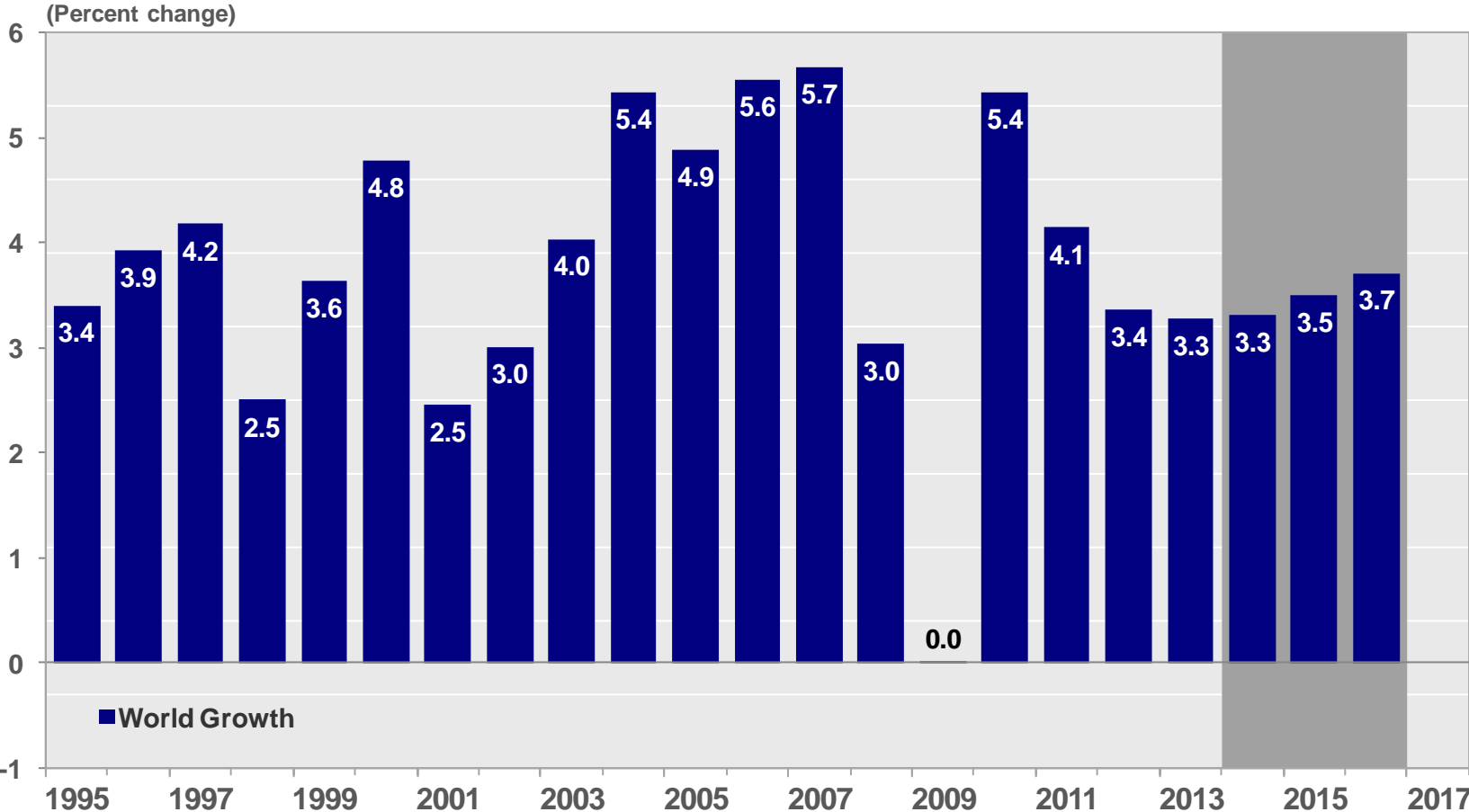


Source: Eurostat, last observation December 2014

Growth in the Global Economy

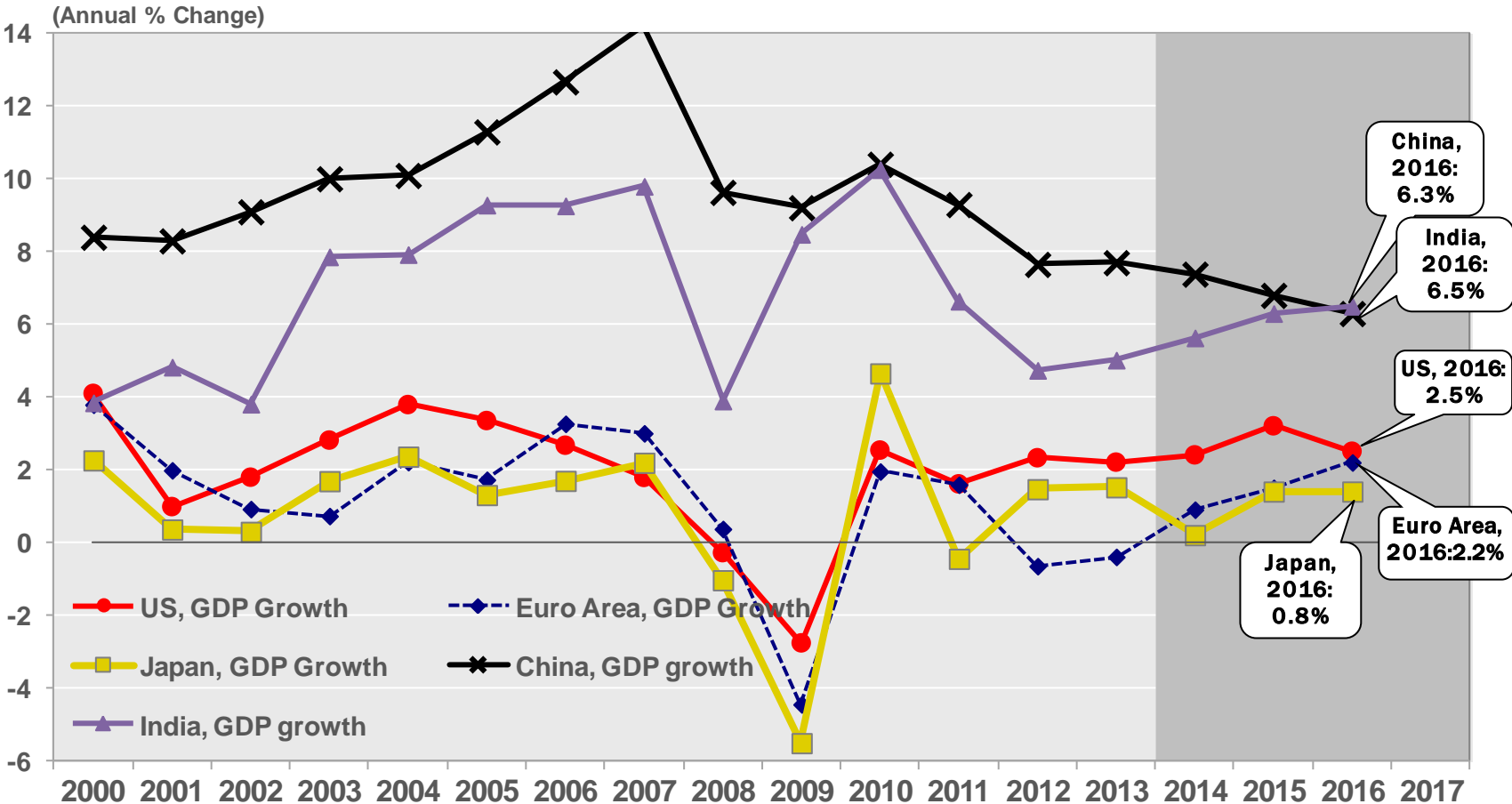
- **Global Economic Growth Improves**
- **US Recovery Continues**
- **International Trade Picks Up**
- **Dynamism of US Exports**
- **Reduced Current Account Imbalances**

Global GDP Growth



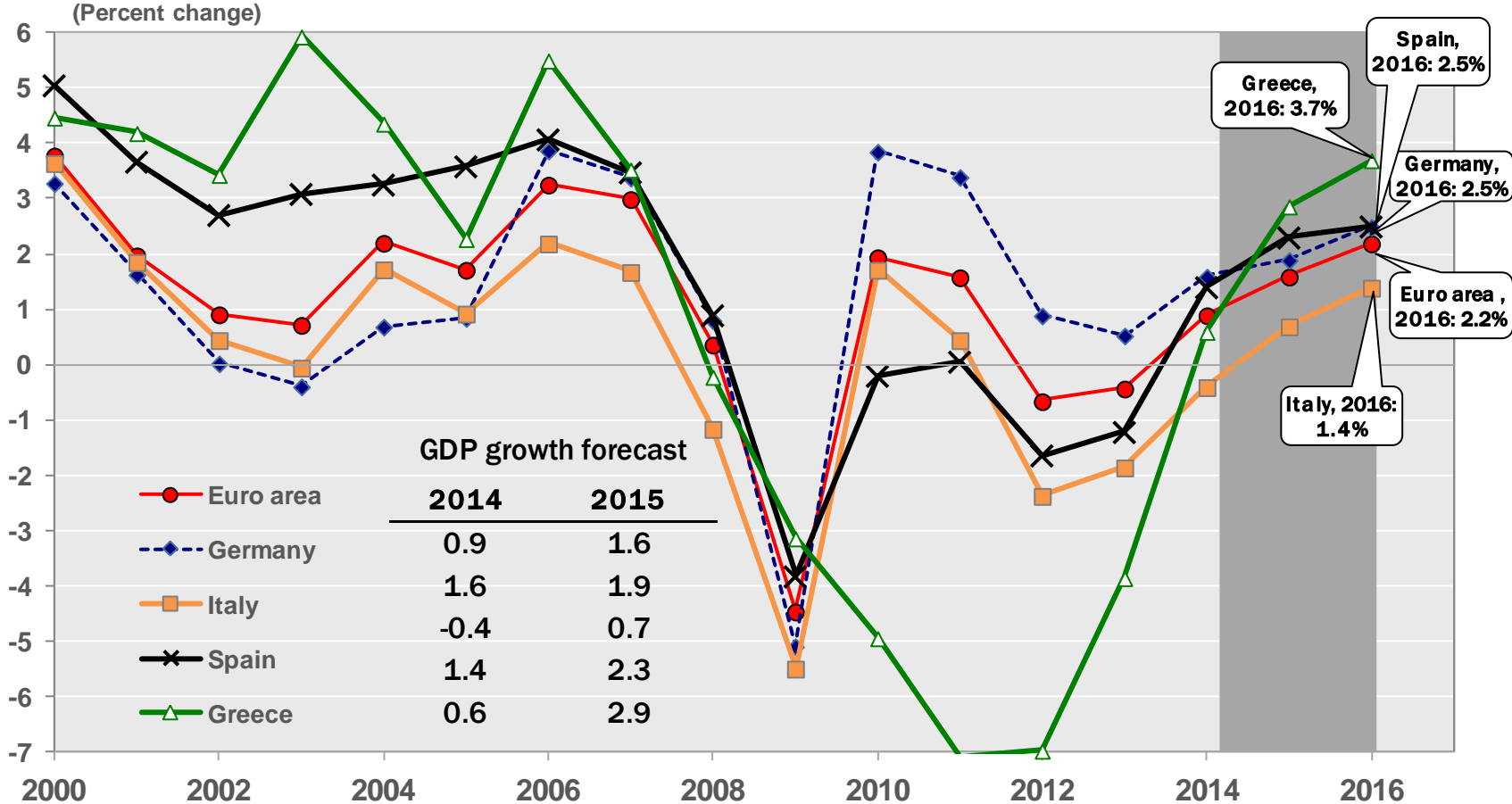
Source: IMF, last update Jan 20 2015, WEO (2014, 2015, & 2016 Forecast)

Real GDP Growth, Select Countries



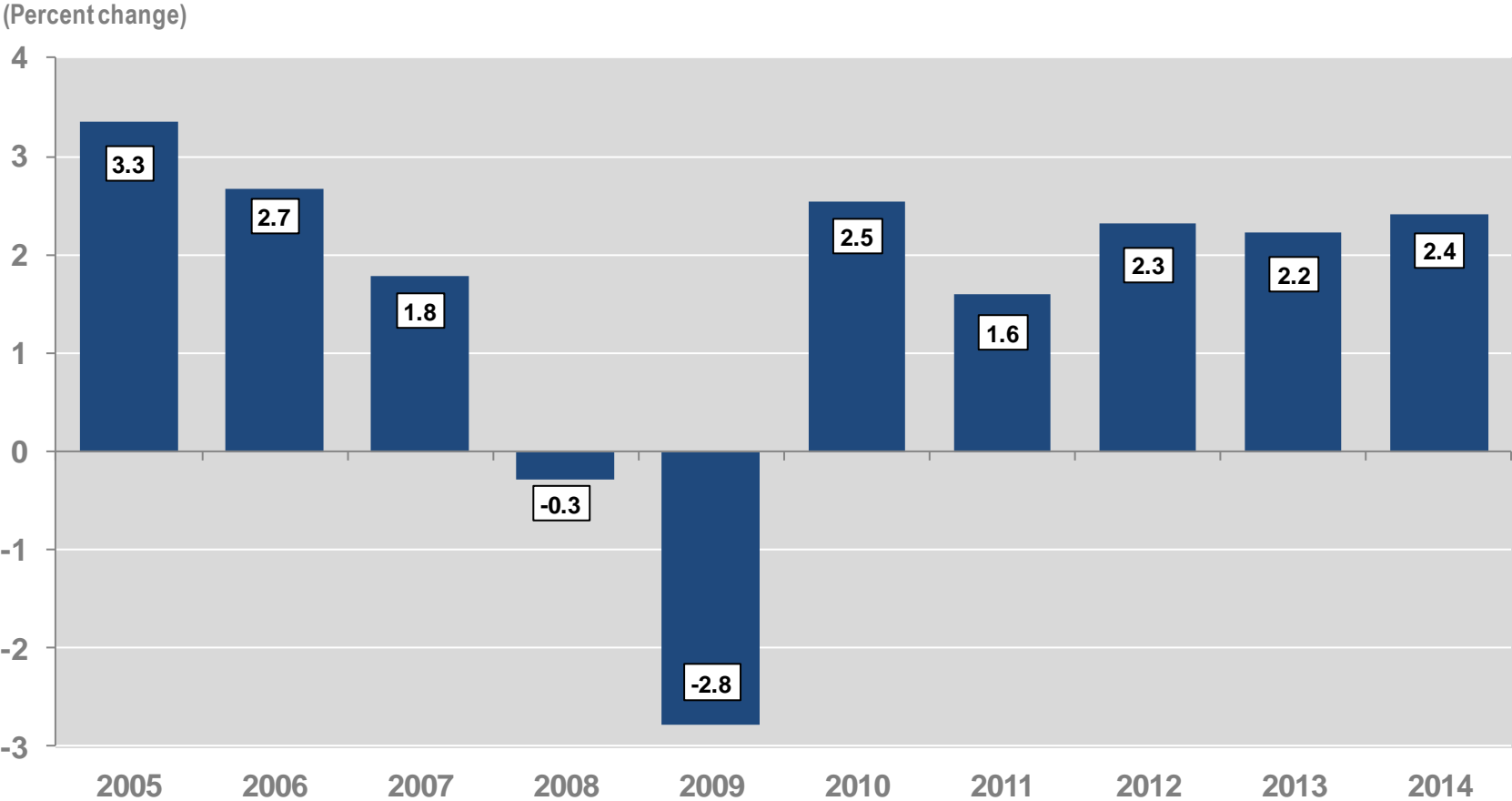
Source: IMF, last update Jan 20 2015, WEO (2014 & 2015 forecast); For US and Euro area, 2014 & 2015 are JPM forecast, last update February 13, 2015.

Real GDP Growth, Euro area countries



Source: IMF, last update Jan 20 2015, WEO (2014 & 2015 forecast); For Euro area, Germany, Italy, & Spain, JPM forecast, last update February 13, 2015.

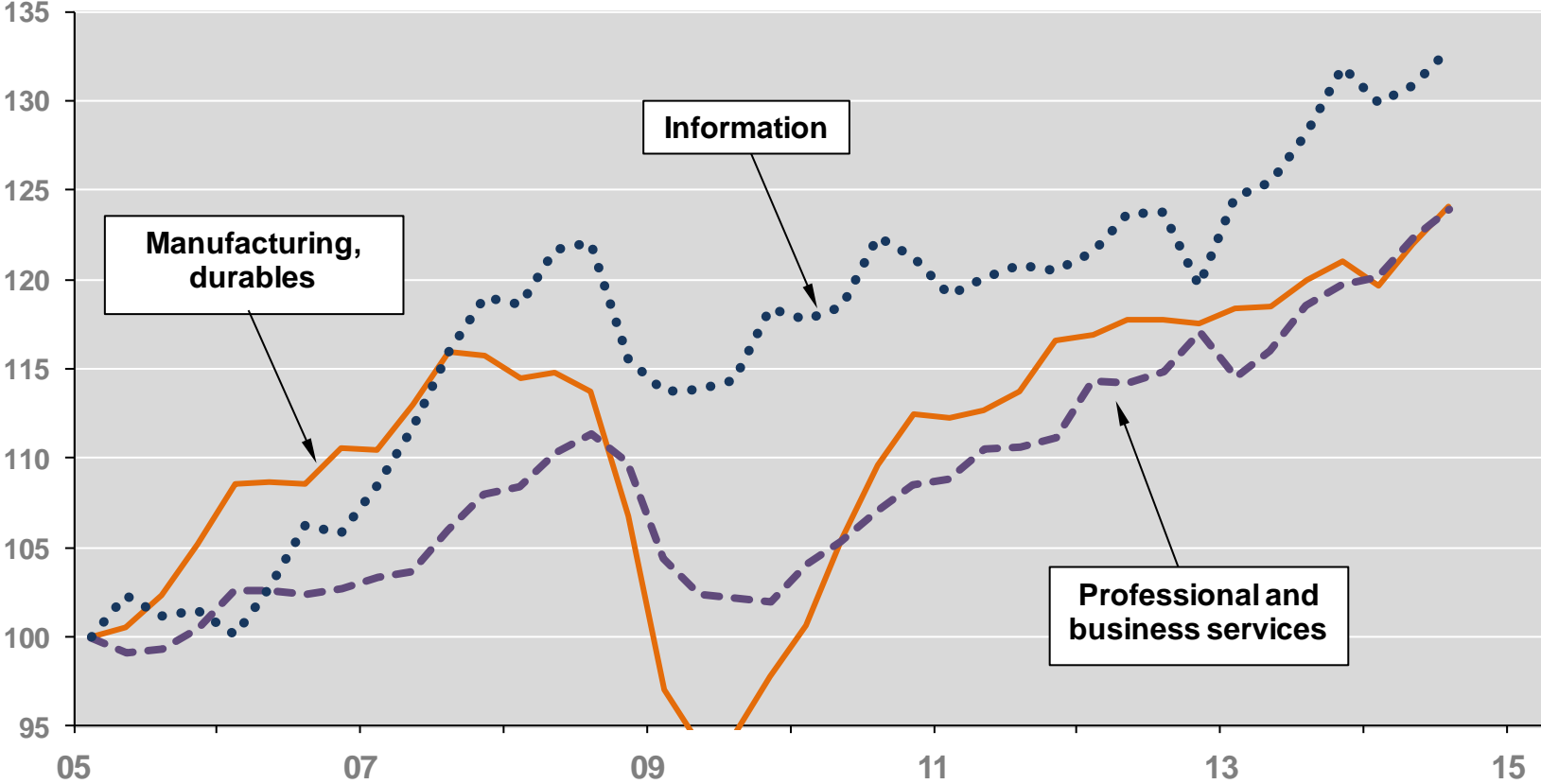
US Real GDP Growth



Source: Bureau of Economic Analysis. Latest observation 2014Q4.

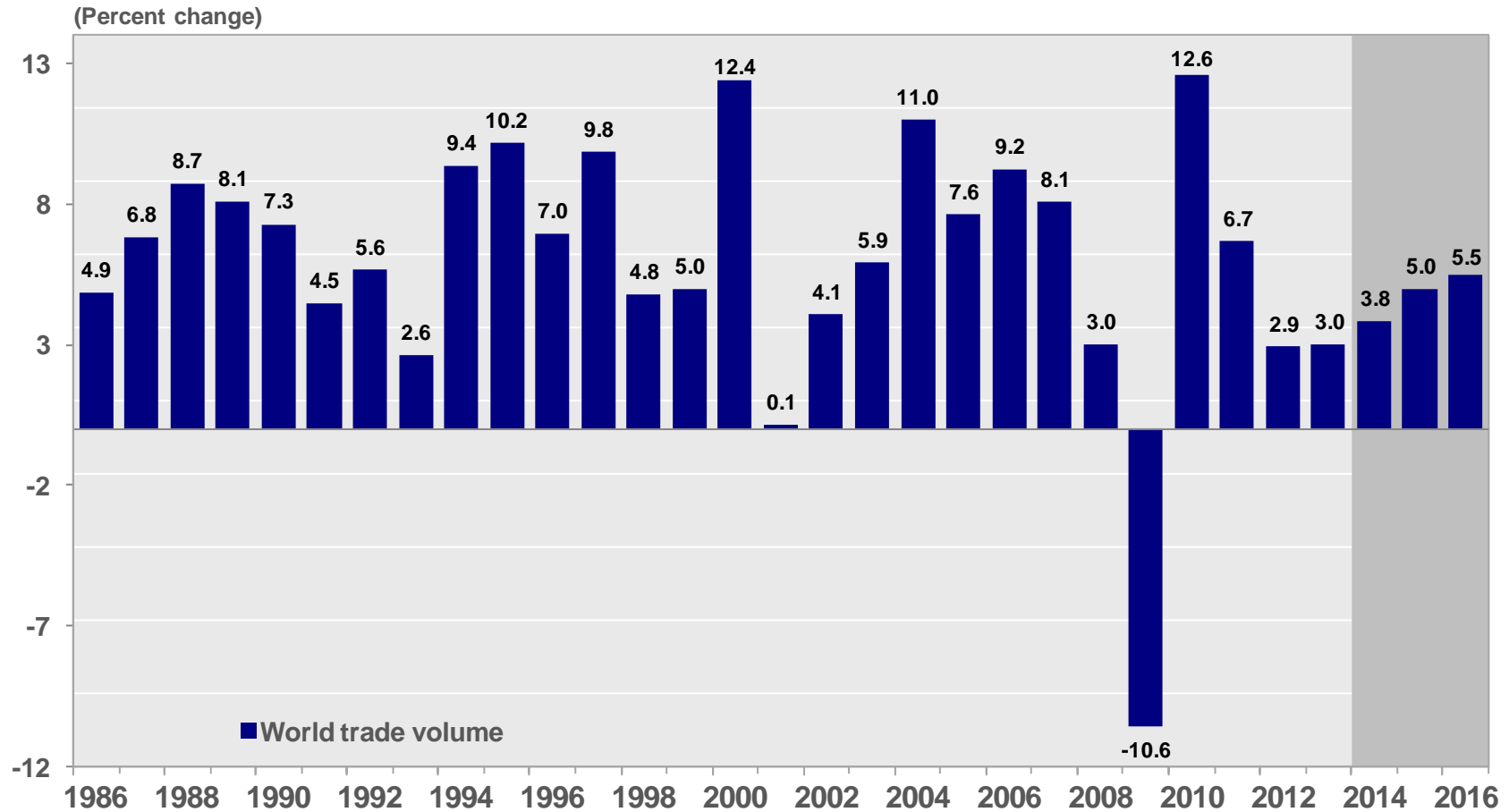
US Real GDP, Selected Industries

(Index, 2005Q1 = 100)



Source: Bureau of Economic Analysis. Latest observation 2014 Q3.

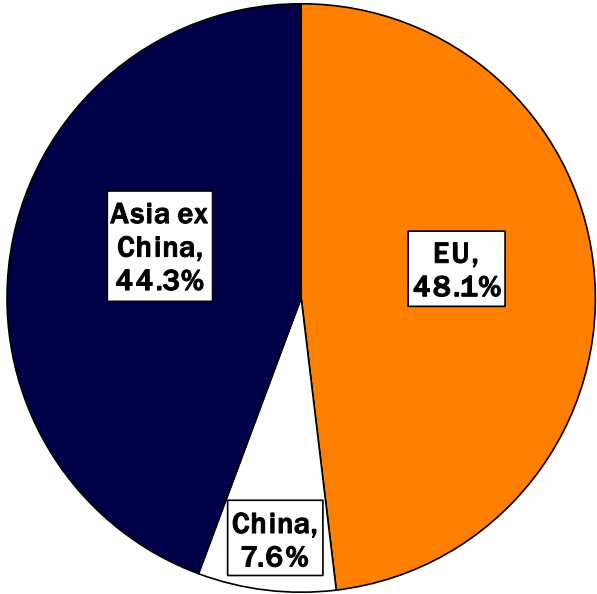
World Trade Volume



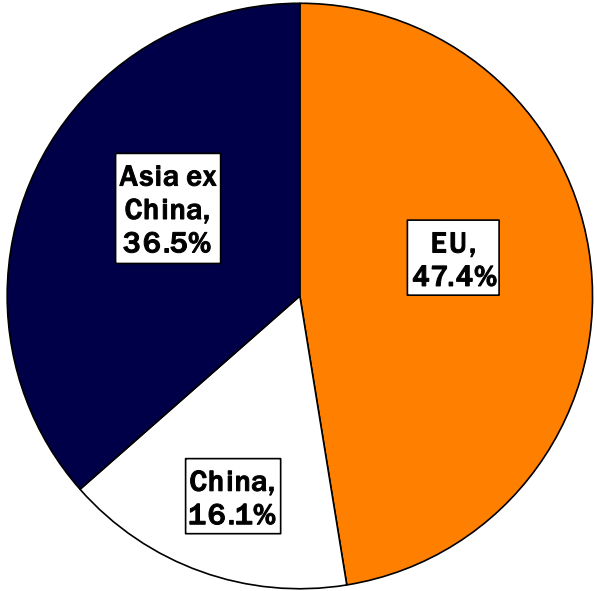
Source: IMF, av. Annual growth rates, last update Jan 20 2015, WEO (2014 & 2015 forecast).

U.S. Exports by Destination

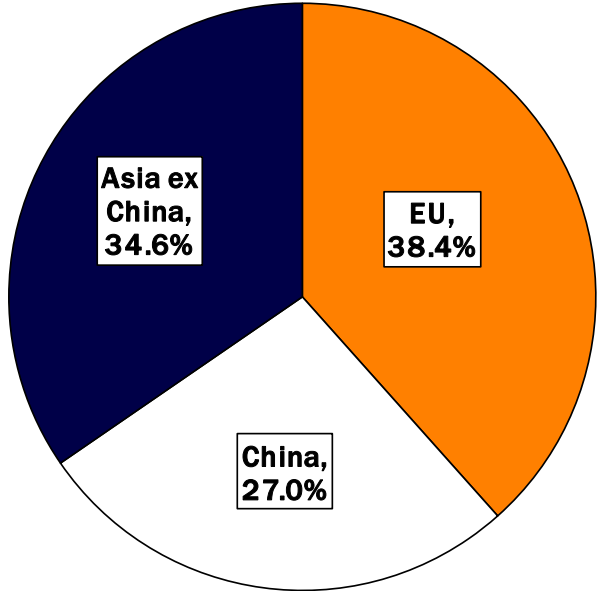
2000



2007

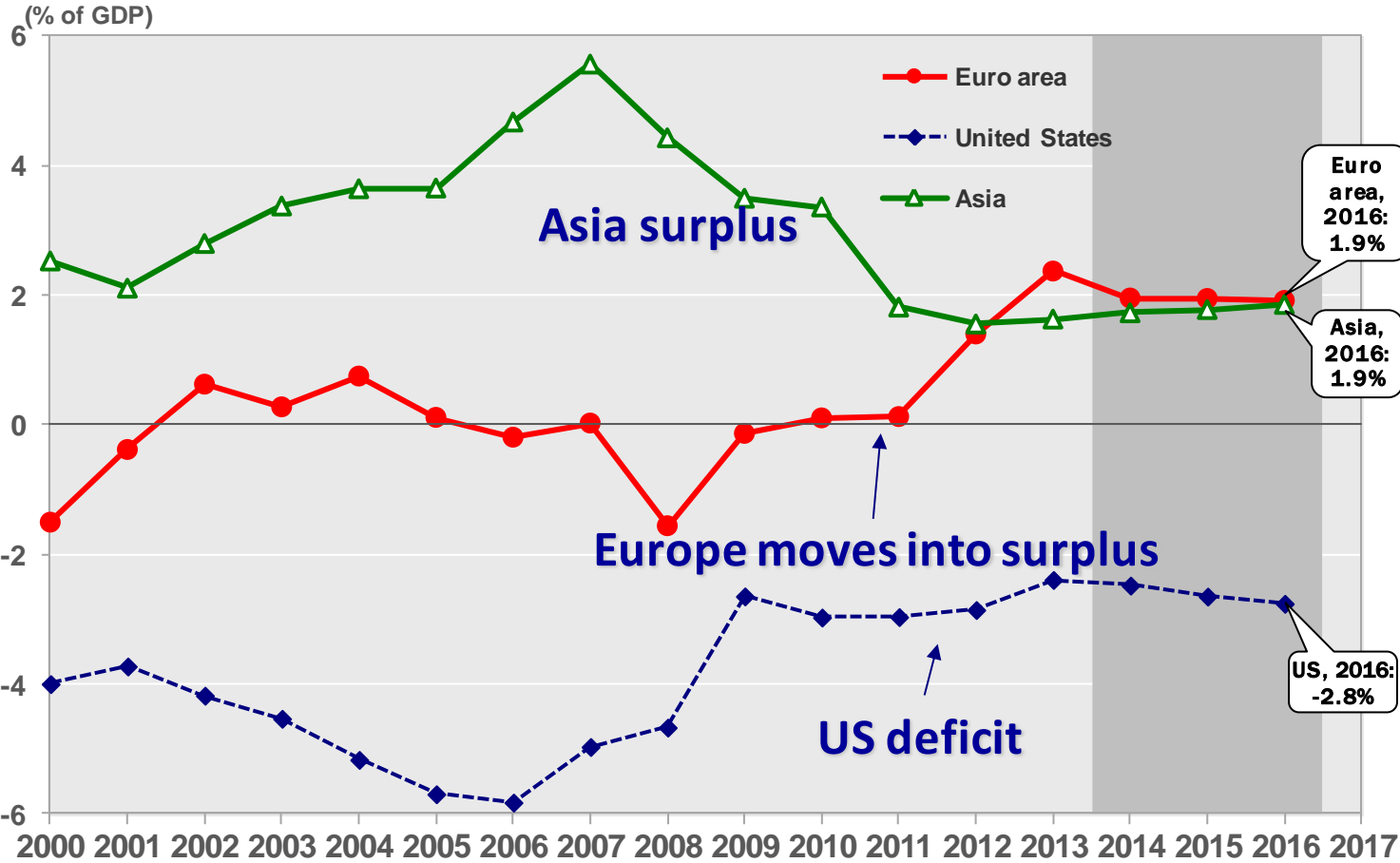


2014



Source: US Department of Commerce, Last Observation: Dec 2014

Current Account of Balance of Payments

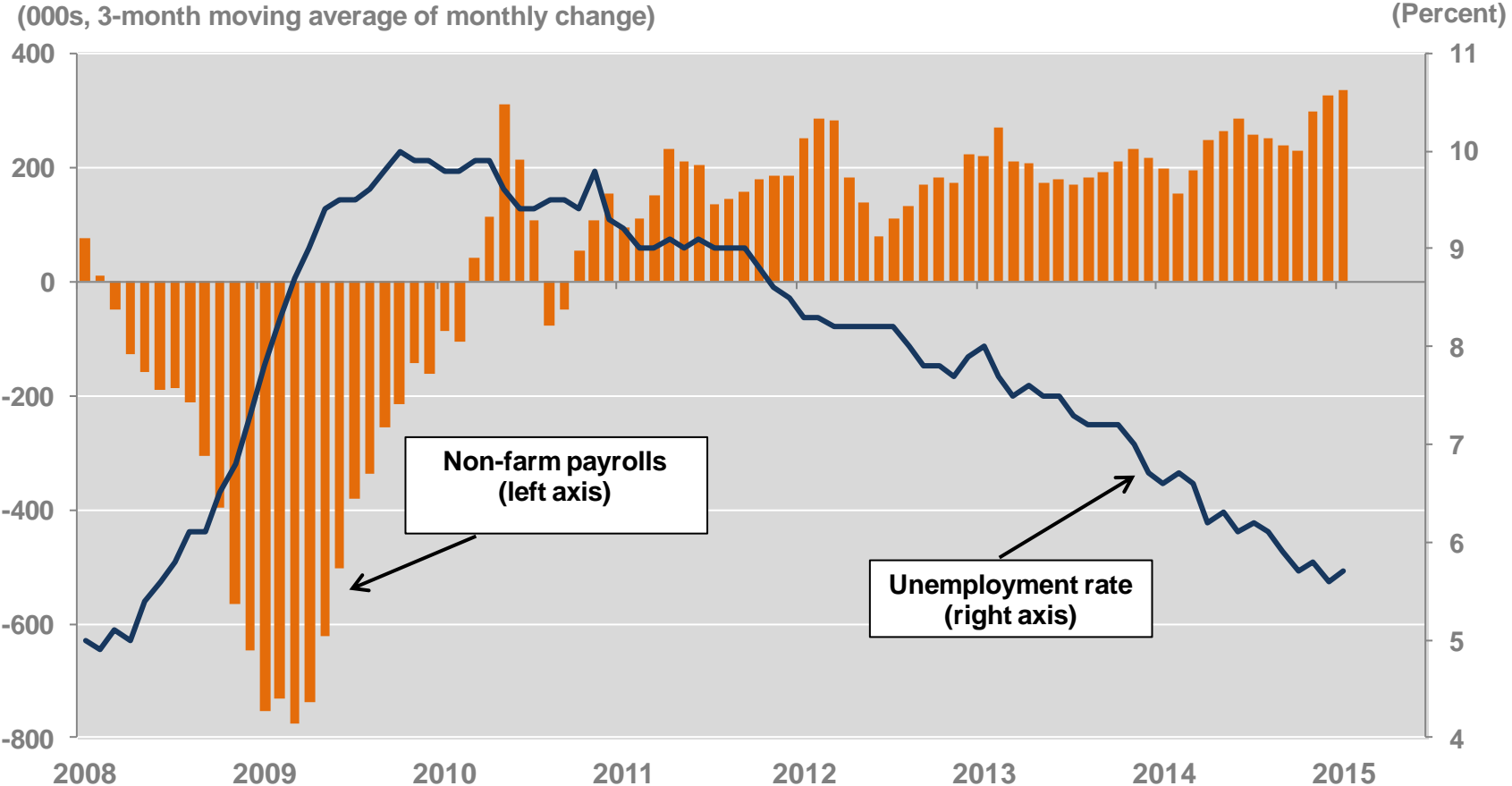


Source: IMF, last update Oct 07 2014, WEO (2014 & 2015 forecast)

U.S. Labor Market, Wages & Inflation

- **Unemployment Rate Declines**
- **Job Creation Expands**
- **Long-Term Unemployed Rate Declines**
- **Participation Rate Fell to a Low level**
- **Wage Pressures are Muted**
- **Inflation Is Low (Below 2%)**

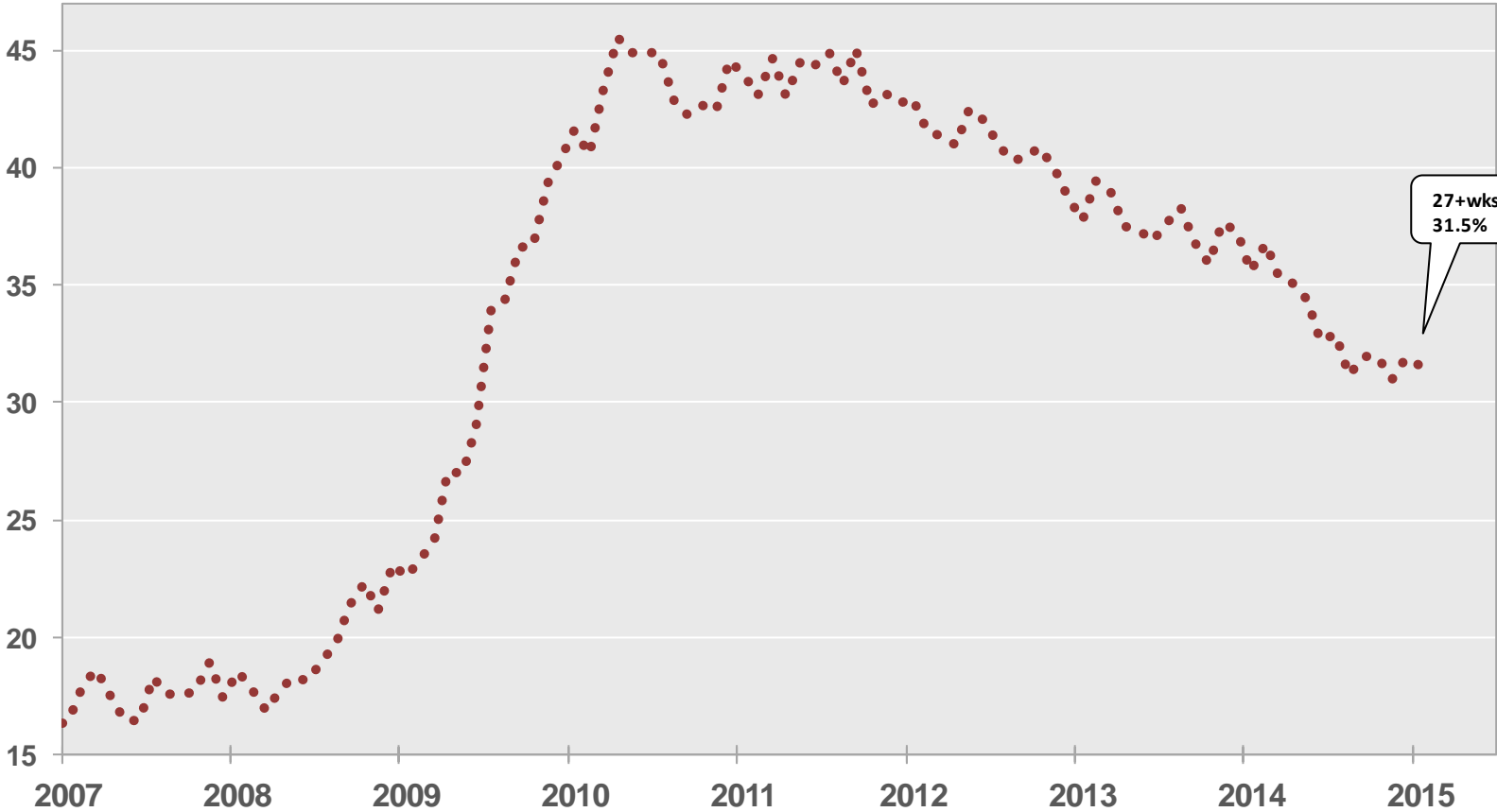
U.S. Payrolls and the Unemployment Rate



Source: Bureau of Labor Statistics, latest observation January 2015

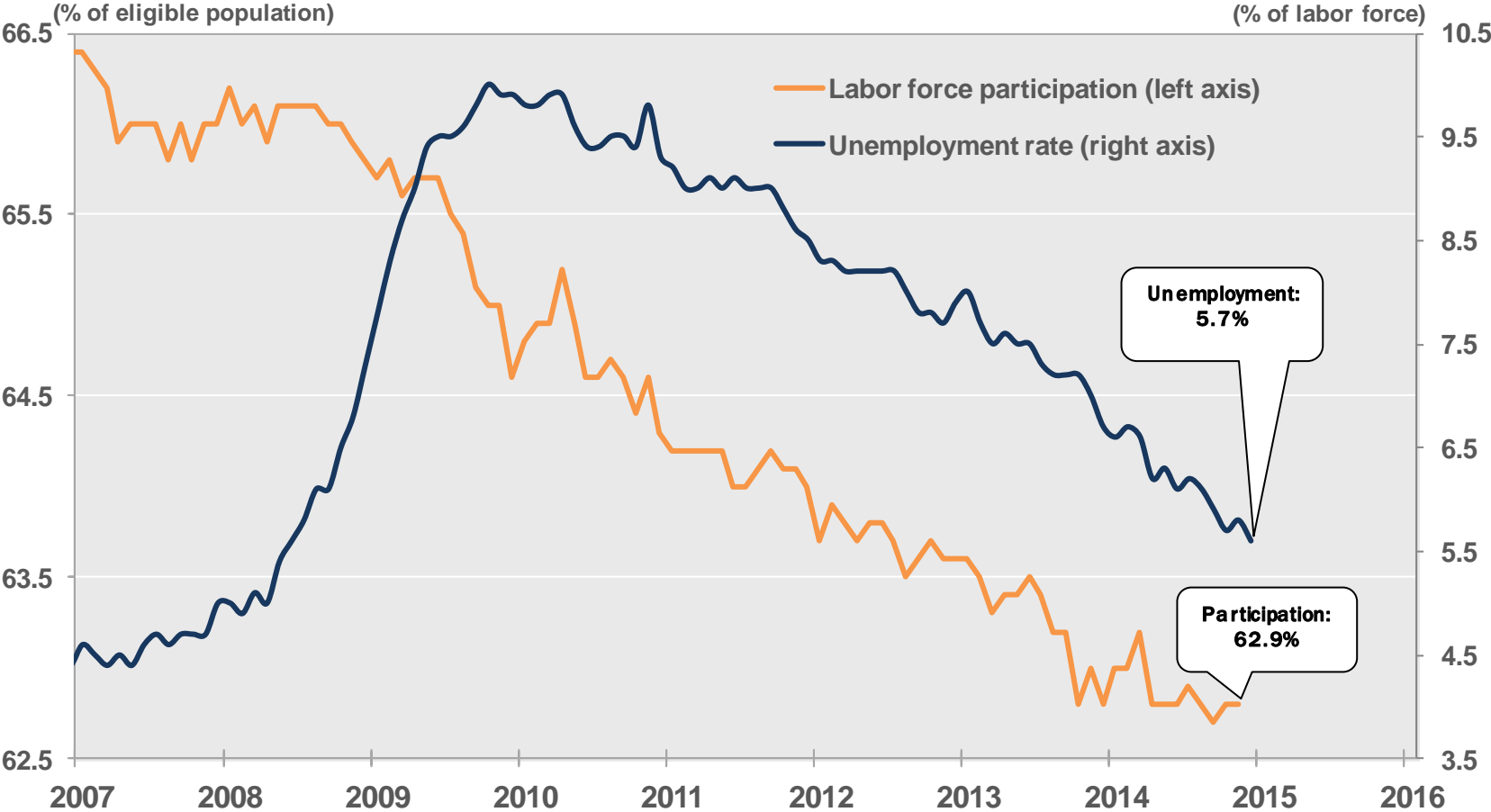
U.S. Long-Term Unemployed Rate

(Share of total unemployed)



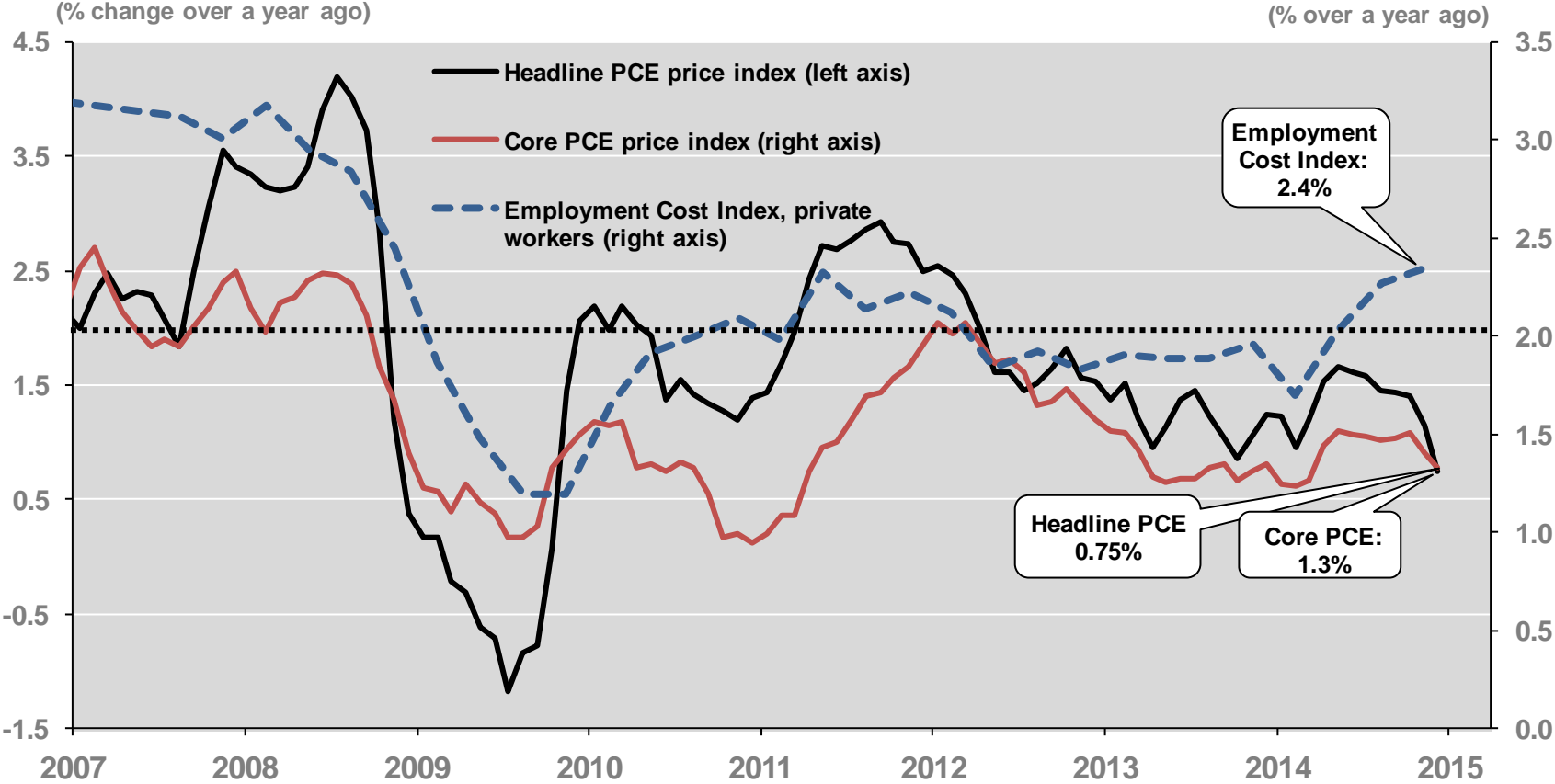
Source: Bureau of Labor Statistics, Last Observation: January 2015

U.S. Participation Rate & Unemployment



Source: Bureau of Labor Statistics, Last Observation: January 2015

U.S. Price and Wage Inflation is Low

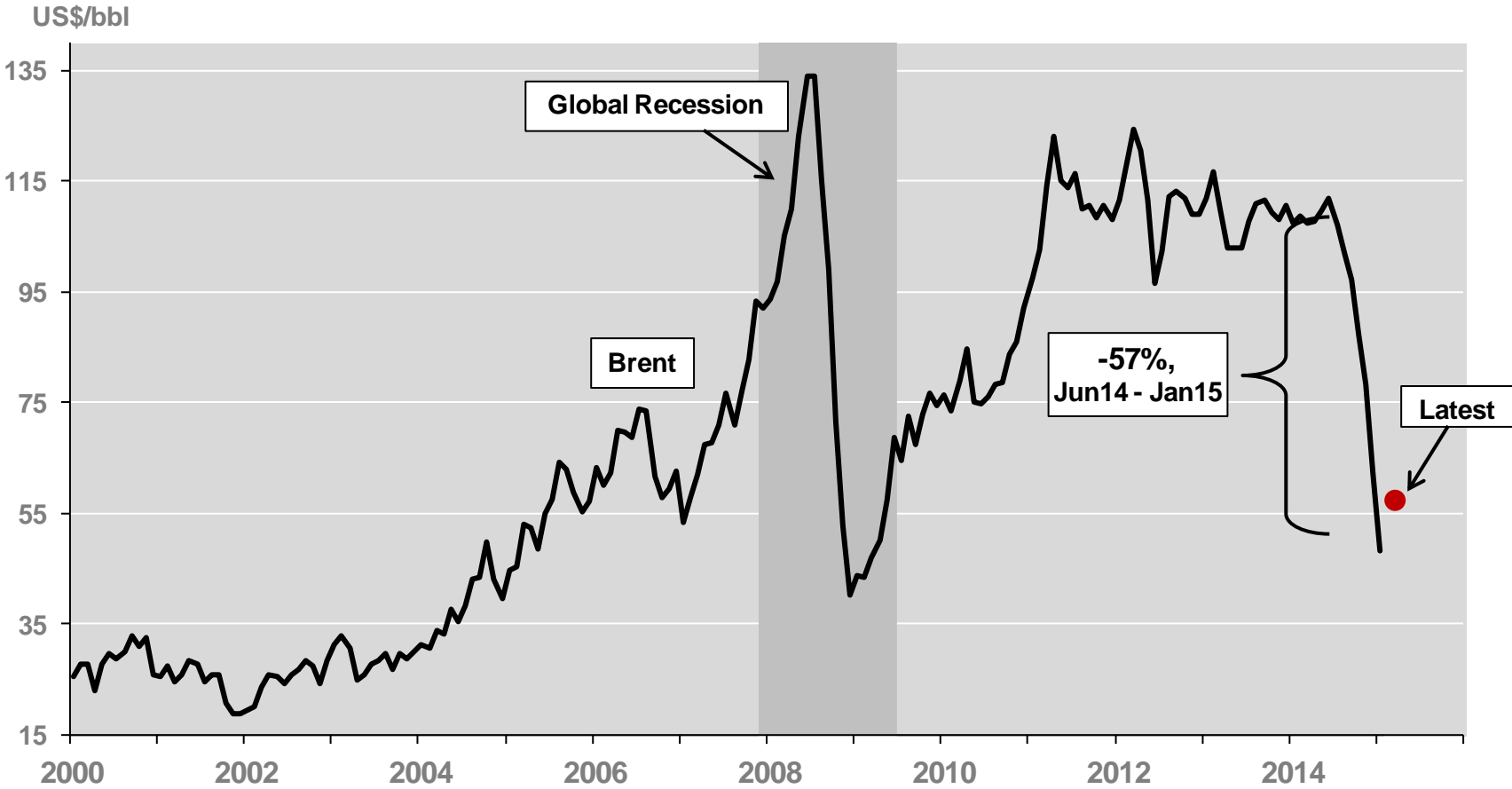


Source: Bureau of Economic Analysis, Bureau of Labor Statistics. Latest observation: PCE headline and core price index, Dec 2014. Employment cost index, 2014 Q4.

Oil and the U.S. economy

- **Price of Crude Oil Declines**
- **Oil & Gas Production & Consumption**
- **Oil & Gas Extraction**
- **Net Effect Positive for U.S. Growth**

Crude Oil Price

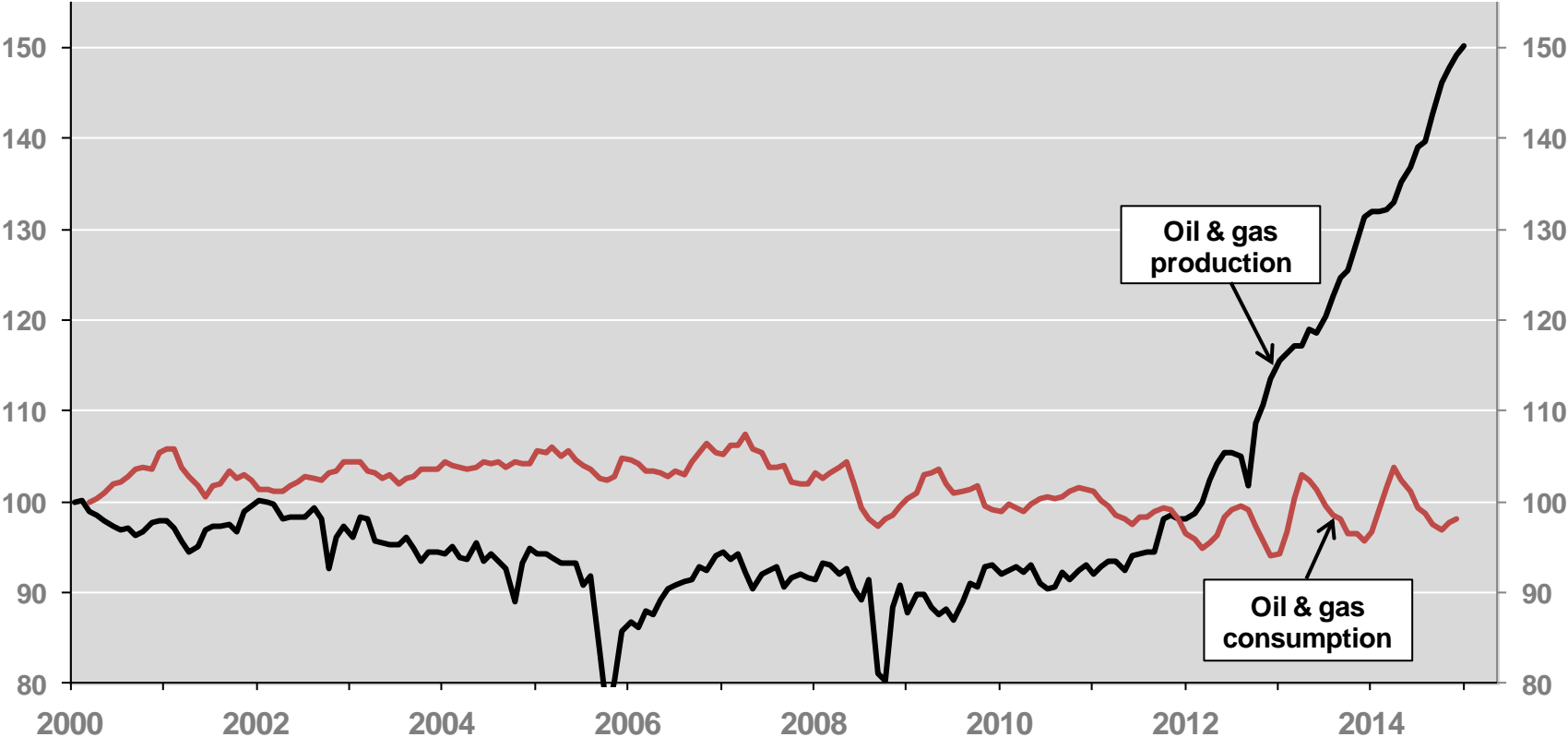


Source: Platts. Latest is average of data available for February 2015.

U.S. Oil & Gas Production and Consumption

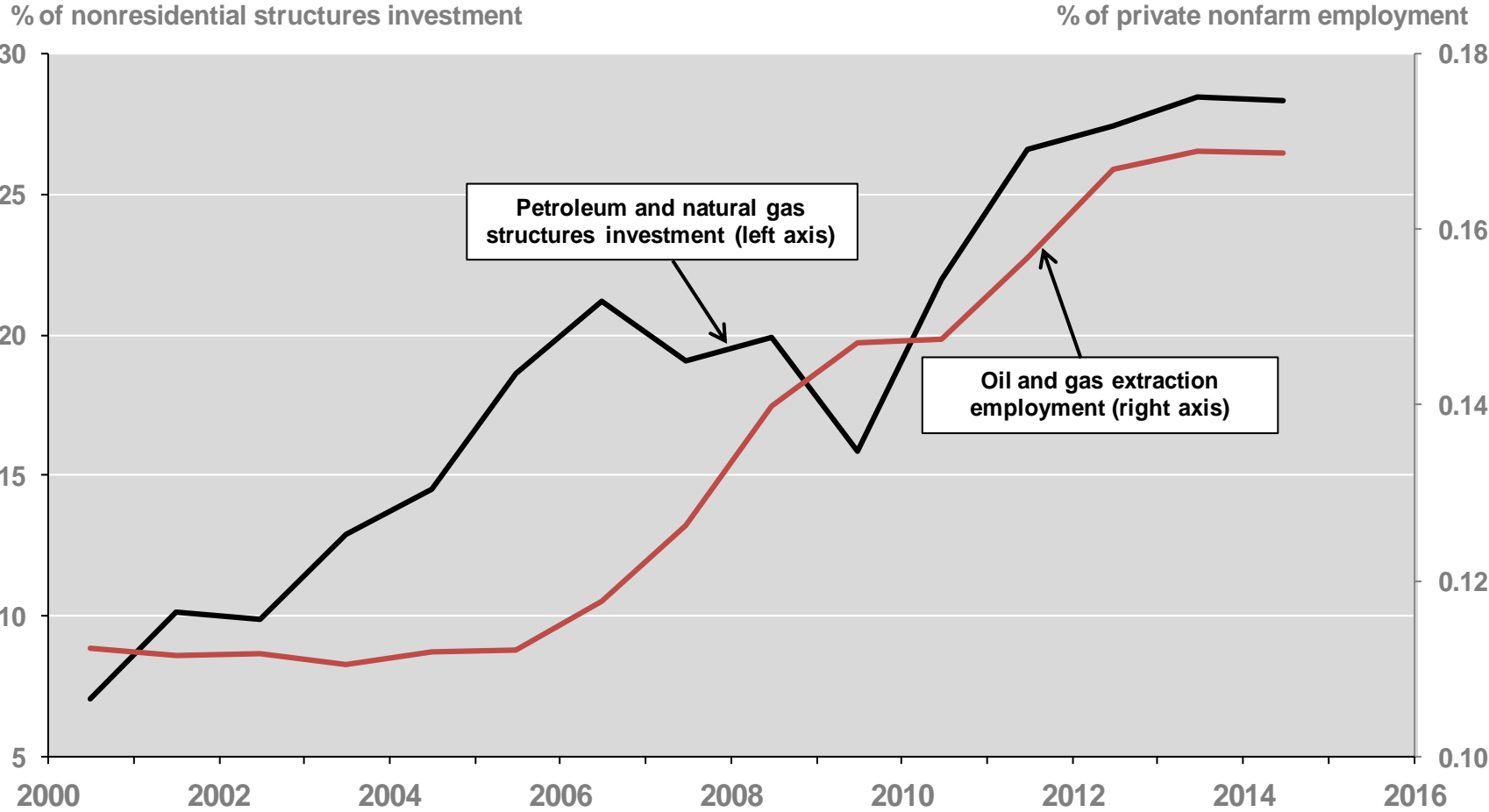
(Index, Jan. 2000 = 100)

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Source: Oil and Gas Journal, J.P. Morgan

U.S. Oil and Gas Extraction Industry



Source: Bureau of Economic Analysis, Bureau of Labor Statistics