Weekly Market Recap

The week in review

- Markit/ISM mfg. PMI at 50.5/52.1
- Light vehicle sales at 17.3M
- ADP/BLS payrolls at 27K/75K
- Unemployment rate at 3.6%

The week ahead

- JOLTS and jobless claims
- PPI and CPI
- Retail sales and industrial production
- Consumer sentiment

Thought of the week

Trade tensions weighed heavily on global activity in May as indicated by the Global PMI indices. The manufacturing index fell below the key 50 level to 49.8, hitting its lowest level since October 2012 and indicating that manufacturing contracted in May. Similarly, the services index fell 1.2 pts, hitting its lowest level since August 2016, but remained in expansion territory at 51.6. In aggregate, the decline in these two indices reflects a slowing in economic activity across geographies and sectors, with the manufacturing sector continuing to struggle while services, which had been more resilient until recently, is beginning to be negatively impacted by the manufacturing slowdown. While labor markets continue to tighten in the developed world, which should provide support for the consumer, and stimulus out of China should support the emerging world broadly, the global slowdown has been led by a slowdown in business investment, which is likely to continue as long as trade tensions remain elevated. Furthermore, the pressure on the services index confirms that the global slowdown is not solely concentrated in manufacturing as previous months’ readings had suggested. The slowing in global activity, escalating trade tensions and uncertainty around global central bank policy all suggest volatility is likely to increase. As a result, a more balanced approach to asset allocation, with a focus on income, seems warranted at this point in the cycle.

Please see important disclosure on next page.
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Chart of the Week: Source: Markit, J.P. Morgan Economic Research, J.P. Morgan Asset Management. A reading above 50 indicates global activity is accelerating and a reading below 50 indicates that global activity is decelerating.

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Equity Performance: Equity performance is based on the Russell 1000 Growth Index (Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values), Russell Mid Cap Index (The Russell Mid Cap Index includes the smallest 2000 securities in the stock markets of Europe, Australasia, and the Far East), S&P 500 Index (Index represents the stock markets of Europe, Australasia, and the Far East), Russell 1000 Value Index (Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values), Russell Mid Cap Value Index (Measures the performance of those Russell Mid Cap companies with higher price-to-book ratios and higher forecasted growth values), Russell Mid Cap Growth Index (Measures the performance of those Russell Mid Cap companies with higher price-to-book ratios and higher forecasted growth values), Russell 2000 Value Index (Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values), Russell 2000 Growth Index (Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values).

Style Returns: Style box returns based on Russell Indexes with the exception of the Large-Cap Blend box, which reflects the S&P 500 Index. All values are cumulative total return for stated period, including the reinvestment of dividends. Index: Barclays US Aggregate; provided by: Barclays Capital.

Key Interest Rates: 2 Year Treasury, FactSet; 10 Year Treasury, FactSet; 30 Year Treasury, FactSet; 10 Year German Bund, FactSet; 3 Month LIBOR, British Bankers' Association; 3 Month EURIBOR, European Banking Federation; 6 Month CD, Federal Reserve; 30 Year Mortgage, Mortgage Bankers Association (MBA); Prime Rate, Federal Reserve.

Commodities: Gold, FactSet; Crude Oil (WTI), FactSet; Natural Gas, FactSet; Silver, FactSet; Copper, FactSet; Corn, FactSet. Bloomberg Commodity Index (BBG Idx), Bloomberg Finance L.P.

Currency: Dollar per Pound, FactSet; Dollar per Euro, FactSet; Yen per Dollar, FactSet.

S&P Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average using First Call Mean estimates for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet’s Pricing database as provided by Standard & Poor’s.

MSCI Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from MSCI and price information from FactSet’s Pricing database as provided by MSCI.

Russell 1000 Growth Index, Russell 1000 Value Index, and Russell 1000 Index Characteristics: Trailing P/E is provided directly by Russell. Fwd. P/E is a bottom-up weighted harmonic average using First Call Mean estimates for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet’s Pricing database as provided by Russell.

Sector Returns: Sectors are based on the GICS methodology. Return data are calculated by FactSet using constituents and weights as provided by Standard & Poor’s. Returns are cumulative total return for stated period, including reinvestment of dividends.

Style Returns: Style box returns based on Russell Indexes with the exception of the Large-Cap Blend box, which reflects the S&P 500 Index. All values are cumulative total return for stated period including the reinvestment of dividends.

Russell 1000 Growth Index (Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values).

Past performance does not guarantee future results.

Diversification does not guarantee investment returns and does not eliminate the risk of loss.

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Unless otherwise stated, all data is as of June 10, 2019 or as of most recently available.

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