

MARKET INSIGHTS

# Weekly Market Recap

U.S. | February 19, 2018

## The week in review

- CPI: headline +2.1% y/y, core +1.8% y/y
- PPI: headline +2.7% y/y, core +2.2% y/y
- Retail sales down -0.3% m/m
- NY / Philly Fed mfg. surveys: 13.1 / 25.8
- Industrial production down -0.1% m/m
- Housing starts up at 1.326M
- Import prices up +1.0% m/m
- Prelim. consumer sentiment at 99.9.

## The week ahead

- Flash PMIs
- Existing home sales

## Thought of the week

Following an unexpected acceleration in wage growth in January's employment report, all eyes were on last week's January CPI release to see if underlying price pressures were truly materializing. The good news for investors is that while inflation rose significantly on a month-over-month basis, the year-over-year rate remains relatively stable. As shown in this week's chart, headline CPI has stabilized following the sharp fall and subsequent rebound due to volatile energy prices, and core inflation is once again trending higher after declining during the summer of last year. This should help alleviate some investor concerns, as January's inflation report confirms that deflationary fears are easing, and that an aggressive rise in inflation is not materializing. Moving forward, we expect inflation to gradually melt higher, given a late-cycle macro-economic backdrop characterized by a continued tightening in the labor market and rising wage pressure, which is seeing tailwinds from recently enacted fiscal stimulus. This backdrop should lead the Federal Reserve to continue to normalize monetary policy at a gradual clip. However, risks stemming from rising rates and higher wages will build as the economy moves later into the business cycle, resulting in a need for investors to be increasingly selective in their approach to fixed income and equity markets.

Please see important disclosure on next page.

### WEEKLY DATA CENTER

Equities	Level	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
S&P 500	2732	4.37	2.46	2.46	18.72	38.75
Dow Jones 30	25219	4.36	2.37	2.37	25.20	50.89
Russell 2000	3836	4.49	0.63	0.63	11.78	31.63
Russell 1000 Growth	930.55	4.77	4.25	4.25	27.02	48.00
Russell 1000 Value	755.15	3.99	0.33	0.33	10.00	27.47
MSCI EAFE	2076	4.28	1.37	1.37	21.70	23.93
MSCI EM	1200	5.04	3.71	3.71	30.18	32.12
NASDAQ	7239	5.36	5.02	5.02	25.83	53.21

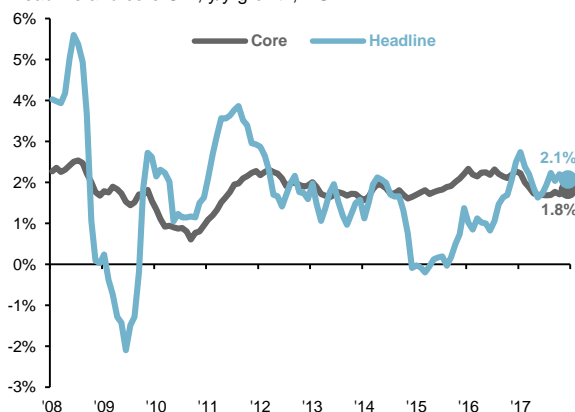
Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	3.13	-0.21	-2.12	-2.12	1.04	3.74
U.S. Corporates	3.67	-0.22	-2.50	-2.50	3.16	7.91
Municipals (10yr)	2.65	-0.14	-2.02	-2.02	3.06	6.76
High Yield	6.41	0.80	-0.48	-0.48	4.68	17.50

Key Rates	Levels (%)					
	2/16/18	2/9/18	12/29/17	12/29/17	2/16/17	2/16/15
2-yr U.S. Treasuries	2.21	2.05	1.89	1.89	1.22	0.66
10-yr U.S. Treasuries	2.87	2.83	2.40	2.40	2.45	2.02
30-yr U.S. Treasuries	3.13	3.14	2.74	2.74	3.05	N/A
10-yr German Bund	0.71	0.74	0.43	0.43	0.35	0.30
3-mo. LIBOR	1.88	1.82	1.69	1.69	1.06	0.26
3-mo. EURIBOR	-0.33	-0.33	-0.33	-0.33	-0.33	0.05
6-mo. CD rate	0.52	0.52	0.48	0.48	0.36	0.41
30-yr fixed mortgage	4.57	4.57	4.25	4.25	4.32	3.93
Prime Rate	4.50	4.50	4.50	4.50	3.75	3.25

### CHART OF THE WEEK

#### Inflation is right where it should be

Headline and core CPI, y/y growth, NSA

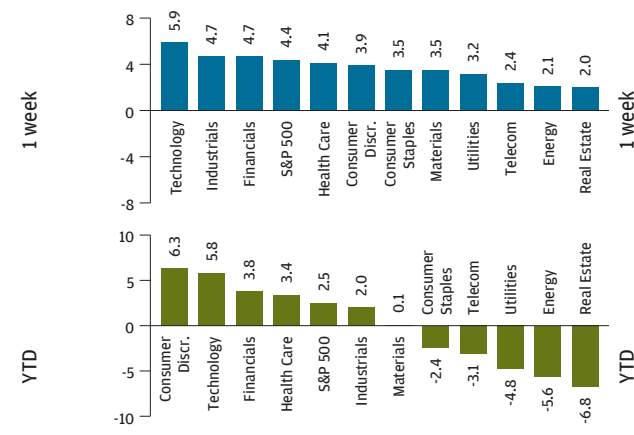


### STYLE RETURNS

	V	B	G
L	4.0	4.4	4.8
M	4.1	4.3	4.6
S	3.9	4.5	5.0

	V	B	G
L	0.3	2.5	4.3
M	-0.7	0.9	2.9
S	-0.9	0.6	2.1

### S&P 500 SECTOR RETURNS



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*Chart of the Week:* Source: Bureau of Labor Statistics, FactSet, J.P. Morgan Asset Management.

*Thought of the week:* Source: Bureau of Labor Statistics, FactSet, J.P. Morgan Asset Management.

Abbreviations: Cons. Sent.: University of Michigan Consumer Sentiment Index; CPI: Consumer Price Index; EIA: Energy Information Agency; FHFA HPI: - Federal Housing Finance Authority House Price Index; FOMC: Federal Open Market Committee; GDP: gross domestic product; HPI: Home Price Index; HMI: Housing Market Index; ISM Mfg. Index: Institute for Supply Management Manufacturing Index; PCE: Personal consumption expenditures; Philly Fed Survey: Philadelphia Fed Business Outlook Survey; PMI: Purchasing Managers' Manufacturing Index; PPI: Producer Price Index; SAAR: Seasonally Adjusted Annual Rate

Equity Price Levels and Returns: All returns represent total return for stated period. Index: S&P 500; provided by: Standard & Poor's. Index: Dow Jones Industrial 30 (The Dow Jones is a price-weighted index composing of 30 widely-traded blue chip stocks.) ; provided by: S&P Dow Jones Indices LLC. Index: Russell 2000; provided by: Russell Investments. Index: Russell 1000 Growth; provided by: Russell Investments. Index: Russell 1000 Value; provided by: Russell Investments. Index: MSCI - EAFE; provided by: MSCI - gross official pricing. Index: MSCI - EM; provided by: MSCI - gross official pricing. Index: Nasdaq Composite; provided by: NASDAQ OMX Group.

MSCI EAFE is a Morgan Stanley Capital International Index that is designed to measure the performance of the developed stock markets of Europe, Australasia, and the Far East.

Bond Returns: All returns represent total return. Index: Barclays US Aggregate; provided by: Barclays Capital. Index: Barclays Investment Grade Credit; provided by: Barclays Capital. Index: Barclays Municipal Bond 10 Yr; provided by: Barclays Capital. Index: Barclays Capital High Yield Index; 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; Gasoline, 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 Value Index, Russell 1000 Growth Index, and Russell 2000 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. The index used from L to R, top to bottom are: Russell 1000 Value Index (Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values), S&P 500 Index (Index represents the 500 Large Cap portion of the stock market, and is comprised of 500 stocks as selected by the S&P Index Committee), 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 Value Index (Measures the performance of those Russell Mid Cap companies with lower price-to-book ratios and lower forecasted growth values), Russell Mid Cap Index (The Russell Midcap Index includes the smallest 800 securities in the Russell 1000), 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 Index (The Russell 2000 includes the smallest 2000 securities in the Russell 3000), Russell 2000 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 February 19, 2018 or as of most recently available.