

## MARKET INSIGHTS

## Weekly Market Recap

U.S. | April 23, 2018

## The week in review

- Retail sales rose 0.6% m/m
- Housing starts/permits at 1.319M/1.354M
- Industrial production rose +0.5% m/m

## The week ahead

- Flash PMI composite
- New & existing home sales
- FHFA & Case-Shiller HPI
- Consumer confidence/sentiment
- Durable goods orders
- 1Q18 GDP advance estimate

## Thought of the week

This Friday, the BEA will publish the first estimate of 1Q18 GDP growth. Given sluggish consumption activity, investors may anticipate a soft reading compared to recent prints. However, a softer reading may be due to reasons beyond weakening economic data: residual seasonality, which can be difficult to detect even after seasonal adjustments, seems to be a driving force behind weaker first quarter figures. Since 2010, first quarter GDP growth has averaged just 1.2% annualized, while the remainder of the year has averaged 2.5%. Given this, investors may want to look beyond the quarter-to-quarter numbers, and instead focus on growth year-over-year. As shown in this week's chart, the year-over-year change in real GDP has been steadily increasing for the past two years. With the passage of the Tax Cuts and Jobs Act, growth could accelerate to 3.0% y/y throughout 2018, suggesting the best is yet to come. Moreover, investors should consider that consumers did not begin feeling the effects of tax cuts until the middle of February when companies adjusted wages to reflect the new tax rates, suggesting that consumption could pick up for the remainder of the year. In addition, a very strong 1Q18 earnings season suggests companies should spur investment spending in the quarters ahead. Taken together, these effects should sustain both economic and earnings growth in 2018, providing support for 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	2670	0.54	1.21	0.44	15.59	35.37
Dow Jones 30	24463	0.46	1.59	-0.41	21.66	46.24
Russell 2000	3887	0.95	2.31	2.22	14.48	28.97
Russell 1000 Growth	914.28	0.64	1.21	2.64	22.24	43.50
Russell 1000 Value	737.08	0.59	1.20	-1.66	8.95	25.09
MSCI EAFE	2051	0.53	2.54	1.09	18.64	18.91
MSCI EM	1168	-0.13	-0.13	1.34	25.08	22.50
NASDAQ	7146	0.56	1.20	3.82	22.07	48.15

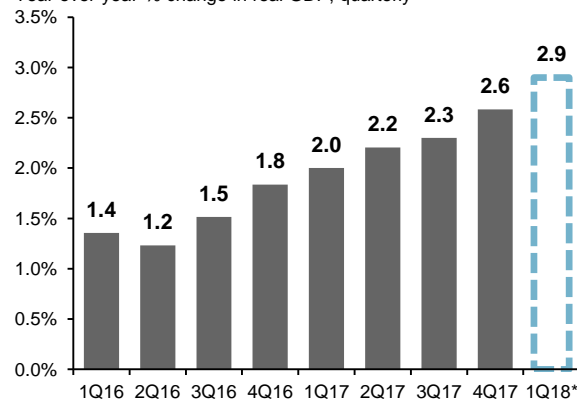
Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	3.29	-0.62	-0.85	-2.30	-0.54	2.47
U.S. Corporates	3.91	-0.89	-0.92	-3.22	0.66	5.61
Municipals (10yr)	2.68	-0.22	0.04	-1.57	0.98	6.40
High Yield	6.35	-0.06	1.03	0.16	4.39	16.15

Key Rates	Levels (%)					
	4/20/18	4/13/18	3/30/18	12/29/17	4/20/17	4/20/15
2-yr U.S. Treasuries	2.46	2.37	2.27	1.89	1.21	0.55
10-yr U.S. Treasuries	2.96	2.82	2.74	2.40	2.24	1.90
30-yr U.S. Treasuries	3.14	3.03	N/A	2.74	2.89	2.56
10-yr German Bund	0.60	0.51	0.49	0.43	0.24	0.08
3-mo. LIBOR	2.36	2.35	2.31	1.69	1.15	0.28
3-mo. EURIBOR	-0.33	-0.33	-0.33	-0.33	-0.33	0.00
6-mo. CD rate	0.54	0.54	0.54	0.48	0.38	0.37
30-yr fixed mortgage	4.66	4.66	4.69	4.25	4.22	3.83
Prime Rate	4.75	4.75	4.75	4.50	4.00	3.25

## CHART OF THE WEEK

## Growth momentum poised to continue in 2018

Year-over-year % change in real GDP, quarterly



## STYLE RETURNS

	V	B	G
L	0.6	0.5	0.6
M	1.0	0.9	0.8
S	1.1	0.9	0.8

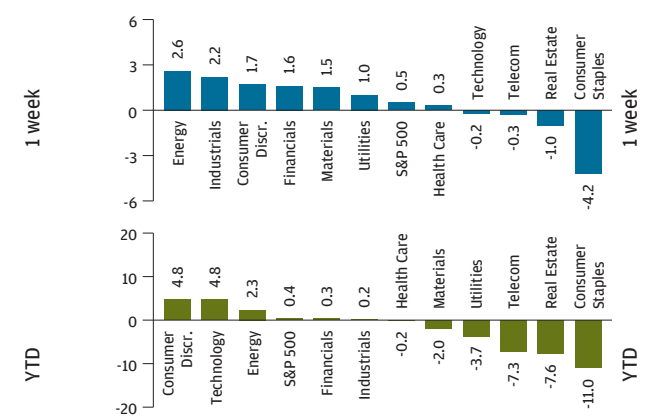
	V	B	G
L	-1.7	0.4	2.6
M	-1.4	0.3	2.5
S	-0.2	2.2	4.5

	Index Characteristics			
	NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
	16.41	3.23	1.95	48.91
	15.94	3.96	2.13	N/A
	22.66	0.64	1.51	1.31
	19.52	6.58	1.60	23.74
	14.23	2.03	2.65	33.49
	13.98	1.66	3.16	21.90
	12.10	1.72	2.36	15.64
	21.38	4.32	1.05	4.79

Currencies	Levels		
	4/20/18	12/29/17	4/20/17
\$ per €	1.23	1.20	1.08
\$ per £	1.40	1.35	1.28
¥ per \$	107.71	112.65	109.18

Commodities	Levels		
	4/20/18	12/29/17	4/20/17
Oil (WTI)	68.37	60.46	50.26
Gasoline	2.75	2.47	2.44
Natural Gas	2.72	3.69	3.13
Gold	1337	1291	1282
Silver	17.11	16.87	18.19
Copper	6939	7157	5612
Corn	3.53	3.19	3.39
BBG Idx	184.30	179.96	171.07

## S&amp;P 500 SECTOR RETURNS



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*Chart of the Week:* Source: BEA, FactSet, J.P. Morgan Asset Management. \*1Q18 is J.P. Morgan Asset Management forecast for year-over-year real GDP growth.

*Thought of the week:* Source: BEA, FactSet, J.P. Morgan Asset Management. \*1Q18 is J.P. Morgan Asset Management forecast for year-over-year real GDP growth.

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 April 23, 2018 or as of most recently available.