

MARKET INSIGHTS

Weekly Market Recap

U.S. | October 15, 2018

The week in review

- PPI/CPI at 2.6% y/y / 2.3% y/y
- Import prices increased 0.5% m/m
- Prelim. consumer sentiment at 99.0

The week ahead

- Industrial production
- Retail sales and JOLTS

Thought of the week

October has seen the return of market volatility, with the S&P 500 Index falling for six consecutive sessions through last Thursday, its longest losing streak in nearly two years. A combination of factors has led to this sell-off including fears of an overheating U.S. economy, Chinese economic deceleration, negative effects of tariffs on corporate earnings, perception of aggressive Federal Reserve rate hikes, and elevated equity valuations. However, after considering each of these factors in turn, they each appear to be downside risks to an otherwise still positive outlook for the U.S. economy and corporate profits. Inflation still looks contained, the Chinese government has recently implemented a variety of stimulus measures to combat an economic slowdown, new tariffs still look like they can be absorbed by U.S. companies, interest rates are still rising slowly by historical comparison, and U.S. equity valuations are now marginally below average. As a result, this is likely a normal pocket of volatility, rather than the beginning of a bear market. As seen in this week's chart, daily market moves of 1% up or down are not uncommon, and have occurred an average of 62 times a year since 1980. This year, we have seen 39 such moves; this feels high when compared to 2017, but remains below the historical average. Given a still constructive backdrop, investors should resist the urge to time the market or abandon equities altogether. Rather, given that the U.S. economy is later on in its cycle, this is a good time to ensure that portfolios are well balanced and diversified.

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	2767	-4.07	-4.97	5.07	10.58	45.90
Dow Jones 30	25340	-4.17	-4.17	4.29	13.45	59.24
Russell 2000	3844	-5.22	-8.81	1.69	4.06	38.46
Russell 1000 Growth	972.14	-3.96	-6.23	9.80	16.32	56.87
Russell 1000 Value	737.06	-4.32	-4.21	-0.46	3.96	32.91
MSCI EAFE	1851	-3.93	-6.17	-7.09	-4.22	16.05
MSCI EM	980.09	-2.02	-6.42	-13.33	-10.17	22.79
NASDAQ	7497	-3.74	-6.81	9.48	14.93	60.35

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	3.54	0.44	-0.51	-2.10	-1.83	3.40
U.S. Corporates	4.17	0.36	-0.71	-3.02	-2.15	8.55
Municipals (10yr)	2.90	-0.19	-0.71	-1.37	-1.13	5.85
High Yield	6.74	-0.46	-0.89	1.65	1.93	22.72

Key Rates	Levels (%)					
	10/12/18	10/5/18	9/28/18	12/29/17	10/12/17	10/12/15
2-yr U.S. Treasuries	2.85	2.88	2.81	1.89	1.51	0.65
10-yr U.S. Treasuries	3.15	3.23	3.05	2.40	2.33	2.12
30-yr U.S. Treasuries	3.32	3.40	3.19	2.74	2.86	N/A
10-yr German Bund	0.50	0.55	0.47	0.43	0.44	0.58
3-mo. LIBOR	2.44	2.41	2.40	1.69	1.36	0.32
3-mo. EURIBOR	-0.32	-0.32	-0.32	-0.33	-0.33	-0.05
6-mo. CD rate	0.68	0.67	0.66	0.48	0.45	0.37
30-yr fixed mortgage	5.05	5.05	4.96	4.22	4.16	3.99
Prime Rate	5.25	5.25	5.25	4.50	4.25	3.25

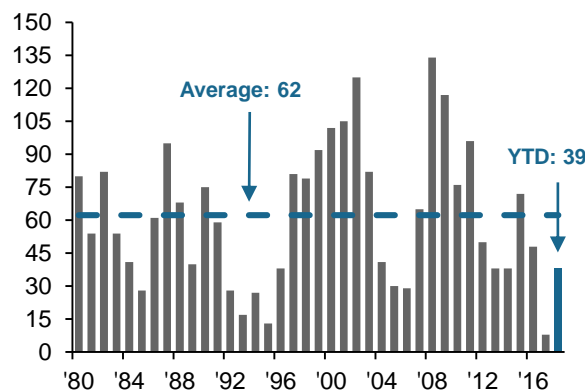
Index Characteristics				
	NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
	15.88	3.24	1.83	50.29
	15.13	3.93	2.05	N/A
	20.22	1.97	1.28	1.21
	19.85	6.98	1.13	25.33
	13.41	2.04	2.44	34.21
	13.59	1.64	3.18	19.73
	10.46	1.54	2.70	13.51
	20.74	4.36	1.00	4.88

Currencies	Levels		
	10/12/18	12/29/17	10/12/17
\$ per €	1.16	1.20	1.18
\$ per £	1.32	1.35	1.32
¥ per \$	112.12	112.65	112.30

Commodities	Levels		
	10/12/18	12/29/17	10/12/17
Oil (WTI)	71.41	60.46	50.61
Gasoline	N/A	2.47	2.51
Natural Gas	3.16	3.69	2.95
Gold	1220	1291	1290
Silver	14.60	16.87	17.20
Copper	6325	7157	6813
Corn	3.14	3.19	3.17
BBG Idx	178.60	179.96	173.29

CHART OF THE WEEK

Market swings of over 1% are not uncommon
Number of daily 1% moves up or down of S&P 500 price index

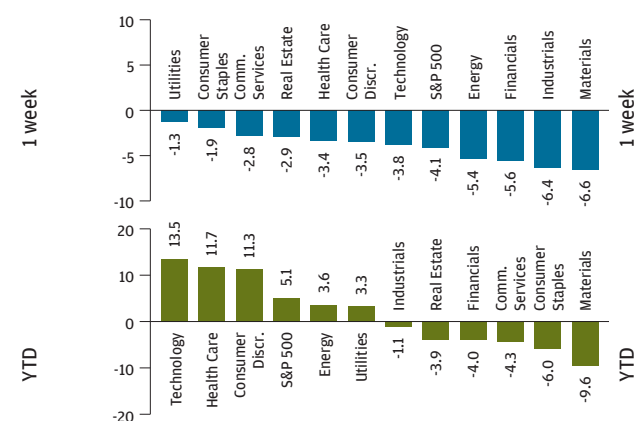


STYLE RETURNS

	V	B	G
L	-4.3	-4.1	-4.0
M	-4.5	-4.7	-5.0
S	-4.7	-5.2	-5.7

	V	B	G
L	-0.5	5.1	9.8
M	-2.6	0.3	3.9
S	-0.4	1.7	3.7

S&P 500 SECTOR RETURNS



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Chart of the Week: Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management. Returns are based on price index only and do not include dividends. Data are as of October 12, 2018.

Thought of the week: Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management. Returns are based on price index only and do not include dividends. Data are as of October 12, 2018.

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).

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Unless otherwise stated, all data is as of October 15, 2018 or as of most recently available.

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