

MARKET INSIGHTS

Weekly Market Recap

U.S. | September 18, 2017

The week in review

- Job openings increased to 6,170K
- Headline inflation increased to 1.9% y/y
- Retail sales fell -0.2% m/m
- Consumer sentiment fell to 95.3
- Industrial production fell -0.9% m/m

The week ahead

- FOMC meeting
- Flash mfg./services PMIs

Thought of the week

Growth and earnings expectations have undoubtedly turned more positive in the Eurozone over the past year and a half, supporting the strong equity market performance we have seen so far in 2017. More recently, this improvement in economic fundamentals in the Eurozone relative to the U.S. has also driven the euro almost 10% higher since the end of 2016, causing some concern for investors and policymakers who believe this may stall the growth trajectory. However, it is important for investors to recognize that the improvement in economic growth in the region has been driven by domestic demand forces, rather than external demand in the form of exports, as we show in this week's chart. Strong consumer confidence amidst a tightening labor market, as well as persistently depressed interest rates, has allowed consumption and investment to rebound after years of stagnation. When it comes to the equity market, this may mean two very different outcomes for companies that are exposed to the domestic recovery story versus those that generate much of their revenue from exports. While we think both should fare relatively well despite the appreciation in the euro, domestic-oriented companies, more often small cap companies, should continue to benefit more due to their direct exposure to the strengthening fundamental story. This suggests that while the recovery in the Eurozone is broad based, an allocation to companies in the region should be much more selective.

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	2500	1.63	3.64	13.33	18.86	34.26
Dow Jones 30	22268	2.19	4.94	14.75	25.34	41.05
Russell 2000	3558	2.35	1.40	6.46	18.30	30.27
Russell 1000 Growth	828.07	1.13	5.40	20.15	22.54	42.08
Russell 1000 Value	712.51	2.18	1.79	6.53	15.03	24.54
MSCI EAFE	1964	0.56	4.72	19.61	20.93	13.75
MSCI EM	1102	1.06	10.01	30.48	27.26	13.22
NASDAQ	6448	1.41	5.26	20.75	24.24	47.85

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	2.49	-0.50	1.10	3.40	0.90	9.00
U.S. Corporates	3.14	-0.45	1.29	5.14	3.23	13.02
Municipals (10yr)	2.04	-0.44	1.59	5.83	1.68	11.81
High Yield	6.03	0.22	1.46	6.47	9.59	16.77

Key Rates	Levels (%)					
	9/15/17	9/8/17	6/30/17	12/30/16	9/15/16	9/15/14
2-yr U.S. Treasuries	1.39	1.27	1.38	1.20	0.74	0.58
10-yr U.S. Treasuries	2.20	2.06	2.31	2.45	1.71	2.60
30-yr U.S. Treasuries	2.77	2.67	2.84	3.06	2.48	3.34
10-yr German Bund	0.43	0.31	0.46	0.20	0.03	1.02
3-mo. LIBOR	1.32	1.31	1.30	1.00	0.86	0.23
3-mo. EURIBOR	-0.33	-0.33	-0.33	-0.32	-0.30	0.08
6-mo. CD rate	0.40	0.41	0.42	0.34	0.33	0.35
30-yr fixed mortgage	4.03	4.03	4.20	4.39	3.67	4.36
Prime Rate	4.25	4.25	4.25	3.75	3.50	3.25

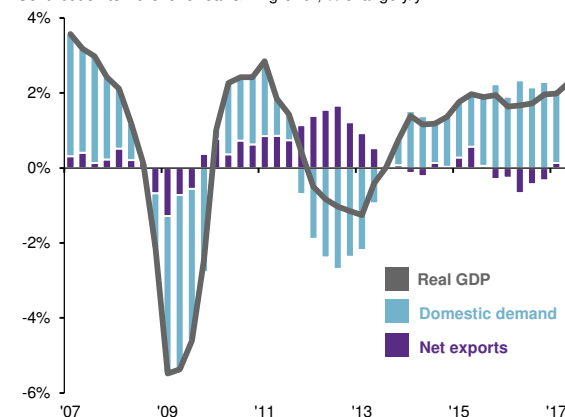
Index Characteristics			
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
17.68	3.07	1.98	45.95
17.13	3.64	2.15	N/A
24.32	2.10	1.51	1.19
20.71	6.14	1.60	22.99
15.75	2.00	2.65	31.16
14.63	1.63	3.11	20.78
12.75	1.65	2.33	14.79
22.27	3.86	1.03	4.34

Currencies	Levels		
	9/15/17	12/30/16	9/15/16
\$ per €	1.20	1.05	1.12
\$ per £	1.36	1.24	1.32
¥ per \$	111.05	116.64	102.40

Commodities	Levels		
	9/15/17	12/30/16	9/15/16
Oil (WTI)	49.89	53.75	43.85
Gasoline	2.69	2.31	2.22
Natural Gas	2.99	3.71	2.98
Gold	1323	1146	1311
Silver	17.70	16.24	18.96
Copper	6457	5501	4727
Corn	3.22	3.33	3.04
BBG Idx	173.29	176.94	167.78

CHART OF THE WEEK

The Eurozone recovery is being driven by domestic demand
Contribution to Eurozone real GDP growth, % change y/y

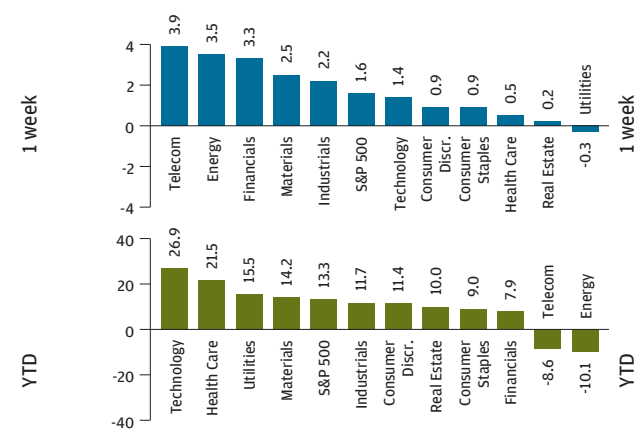


STYLE RETURNS

	V	B	G
L	2.2	1.6	1.1
M	1.8	1.6	1.3
S	3.0	2.3	1.7

	V	B	G
L	6.5	13.3	20.1
M	6.1	10.2	15.4
S	1.0	6.5	12.5

S&P 500 SECTOR RETURNS



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Chart of the Week: Source: Eurostat, Haver Analytics, J.P. Morgan Asset Management.

Thought of the week: Source: Eurostat, Haver Analytics, 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).

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Unless otherwise stated, all data is as of September 18, 2017 or as of most recently available.