

MARKET INSIGHTS

Weekly Market Recap

U.S. | January 21, 2019

The week in review

- PPI rose 2.5% y/y
- NY/Philly Fed mfg. at 3.9/17.0
- Industrial production rose 0.3% m/m
- Consumer sentiment at 90.7
- NAHB housing market index at 58
- Jobless claims at 213k

The week ahead

- New and existing home sales
- FHFA house price index
- Flash PMI composite
- Durable goods orders

Thought of the week

As mentioned in our 2019 Outlook, we expected the U.S. economy to slow this year as fiscal stimulus begins to fade. However, recent data, such as the ISM and Empire State manufacturing surveys, suggest that the economy is cooling at a faster pace than we anticipated. That said, as this week's chart shows, this slowing in economic activity can be attributed to a deceleration in the soft data, which are survey and confidence based, while the hard data - measures of actual economic data - have remained fairly resilient. Housing has been the one exception on the hard data side, as higher mortgage rates have weighed on activity, but given the decline in rates at the end of the year, housing may begin to pick back up. Soft data tend to be driven by sentiment, suggesting the U.S. government shutdown as well as the lingering U.S.-China war have weighed on how people are feeling about the current environment. While sentiment measures should not be ignored, investors should find comfort in knowing that the underlying economy is not deteriorating as fast as the soft data suggest, as the hard data continue to point to a relatively healthy pace of economic growth.

WEEKLY DATA CENTER

Equities	Level	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
S&P 500	2671	2.90	6.63	6.63	-2.65	51.05
Dow Jones 30	24706	3.01	6.02	6.02	-2.84	66.30
Russell 2000	3684	2.44	9.97	9.97	-4.72	53.36
Russell 1000 Growth	930.42	2.99	7.08	7.08	-0.16	60.39
Russell 1000 Value	719.53	2.81	6.68	6.68	-5.42	42.06
MSCI EAFE	1805	1.08	5.02	5.02	-12.88	28.63
MSCI EM	1018	1.69	5.45	5.45	-14.68	56.92
NASDAQ	7157	2.67	7.89	7.89	-0.84	65.00

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	3.33	-0.19	-0.01	-0.01	0.79	5.26
U.S. Corporates	4.16	0.13	0.63	0.63	-1.14	10.25
Municipals (10yr)	2.45	0.15	0.67	0.67	2.49	6.65
High Yield	7.23	0.69	3.84	3.84	1.01	31.76

Key Rates	Levels (%)					
	1/18/19	1/11/19	12/31/18	12/31/18	1/18/18	1/18/16
2-yr U.S. Treasuries	2.62	2.55	2.48	2.48	2.05	0.85
10-yr U.S. Treasuries	2.79	2.71	2.69	2.69	2.62	2.03
30-yr U.S. Treasuries	3.09	3.04	3.02	3.02	2.90	N/A
10-yr German Bund	0.25	0.22	0.24	0.24	0.57	0.47
3-mo. LIBOR	2.76	2.79	2.81	2.81	1.74	0.62
3-mo. EURIBOR	-0.31	-0.31	-0.31	-0.31	-0.33	-0.14
6-mo. CD rate	0.71	0.69	0.68	0.68	0.48	0.35
30-yr fixed mortgage	4.74	4.74	4.84	4.84	4.33	4.06
Prime Rate	5.50	5.50	5.50	5.50	4.50	3.50

Index Characteristics			
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
15.53	3.11	1.97	48.35
14.78	3.77	2.11	N/A
19.87	1.92	1.36	1.17
18.98	6.61	1.24	24.61
13.33	1.97	2.57	32.79
12.58	1.48	3.68	19.20
11.35	1.53	2.91	14.28
20.03	4.12	1.12	4.66

Currencies	Levels		
	1/18/19	12/31/18	1/18/18
\$ per €	1.14	1.14	1.22
\$ per £	1.29	1.27	1.39
¥ per \$	109.66	109.72	110.96

Commodities	Levels		
	1/18/19	12/31/18	1/18/18
Oil (WTI)	53.80	45.15	63.96
Gasoline	2.25	2.27	2.56
Natural Gas	3.47	2.94	3.92
Gold	1284	1279	1332
Silver	15.47	15.47	17.09
Copper	6022	5965	7047
Corn	3.54	3.42	3.24
BBG Idx	169.64	159.72	181.18

CHART OF THE WEEK

Hard data remain resilient while soft data have rolled over
Citi U.S. Economic Surprise Index: soft vs. hard data

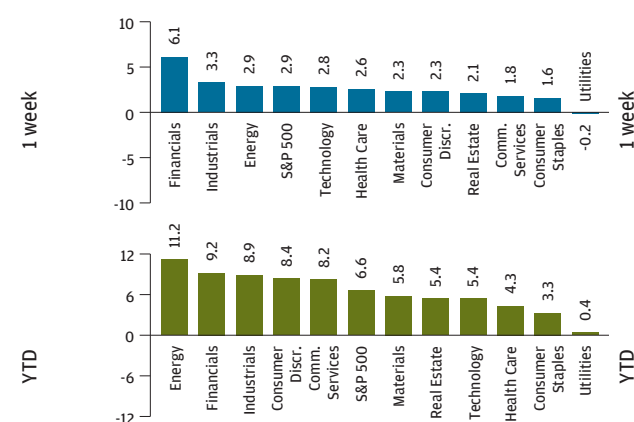


STYLE RETURNS

	V	B	G
L	2.8	2.9	3.0
M	2.7	3.0	3.5
S	2.3	2.4	2.6

	V	B	G
L	6.7	6.6	7.1
M	8.2	8.5	9.0
S	9.6	10.0	10.3

S&P 500 SECTOR RETURNS



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Chart of the Week: Source: Bloomberg, Citi, J.P. Morgan Asset Management. A positive reading means that the data releases have been stronger than expected and a negative reading means that the data releases have been weaker than expected.

Thought of the week: Source: Bloomberg, Citi, J.P. Morgan Asset Management. A positive reading means that the data releases have been stronger than expected and a negative reading means that the data releases have been weaker than expected.

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.

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Unless otherwise stated, all data is as of January 21, 2019 or as of most recently available.

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