Weekly Market Recap

The week in review

- Retail sales fell -8.7% m/m
- Industrial production fell -5.4% m/m
- Jobless claims at 5.245M
- Housing starts fell to 1.216M

The week ahead

- Flash mfg. & services PMIs
- Durable goods, consumer sentiment
- Jobless claims at 5.245M
- New & existing home sales

Thought of the week

The Q20 earnings season unofficially kicked off last week, providing investors with a first glimpse of how businesses are faring since the outbreak of COVID-19. Overall, 41 companies (12.1% of market cap) have reported, and we currently estimate that S&P 500 profits contracted -14.6% in the first quarter relative to a year ago. However, not all sectors are created equal. In general, those sectors that are more sensitive to a social distancing shutdown of the economy are set to see profits come under severe pressure, while those sectors that are somewhat insulated or are seeing benefits from a stay-at-home economy are expected to see profits grow on a year-over-year basis. Against this backdrop, a strong rally in equity markets suggests that investors have been more focused on the spread of COVID-19, and less focused on the fundamental data, as evidenced by the tight correlation between the slowing growth in COVID-19 cases and the strong rally in the S&P 500 since the market low on March 23. This may also suggest that investors are simply looking past the bad fundamental data that is expected over the next few months and focusing more on what comes after the COVID-19 pandemic. Given widespread uncertainty, we do not believe that investors should be blindly adding beta exposure, but should instead focus on quality companies with high profit margins and low leverage that will be better equipped to navigate this difficult and uncertain environment.

Please see important disclosure on next page.
Market Insights

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Chart of the Week: Source: Compustat, FactSet, Standard & Poor's, J.P. Morgan Asset Management. *1Q20 earnings are calculated using actual earnings for 12.1% of S&P 500 market cap and consensus earnings estimates for the remaining companies. Percentages may not sum due to rounding. Thought of the week: Source: Compustat, FactSet, Standard & Poor's, J.P. Morgan Asset Management. *1Q20 earnings are calculated using actual earnings for 12.1% of S&P 500 market cap and consensus earnings estimates for the remaining companies. Percentages may not sum due to rounding.

Thought of the week: Percentages may not sum due to rounding. Calculated using actual earnings for 12.1% of S&P 500 market cap and consensus earnings estimates for the remaining companies. Percentages may not sum due to rounding.

Russell 3000 Large Cap is the broadest Russell Index (Measures the performance of those Russell 3000 companies with lower price-to-book ratios and higher forecasted growth values), Russell 2000 Growth Index (Measures the performance of those Russell 2000 companies with higher 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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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. Currency: Dollar per Pound, FactSet; Dollar per Euro, FactSet; Yen per Dollar, FactSet.