

2Q 2024

J.P. Morgan Quarterly Models & Markets

Latest insights and themes across J.P. Morgan Model Portfolios

Key Investment Themes

As of April 2024

Latest investment themes



ECONOMY

Still humming along

Economy remains resilient; expect moderation in inflation and steady growth ahead

- Maintain a pro-risk stance on equities and credit
- Continue to monitor risks given lagged effects of tightening and extended valuations



EQUITIES

All eyes on earnings

Potential for further breadth in equities; strength in earnings and margins growth are key

- Bias for US equities with higher quality attributes
- Opportunistic in international markets

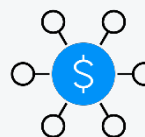


FIXED INCOME

Taking the extra credit

Fed easing on the horizon; questions around timing and number of cuts remain

- Focus on extended credit given attractive yields
- Balance with high quality bonds for diversification



INVESTMENT PRINCIPLES

Avoid the cash trap

Cash rates are high today, but so is the opportunity cost given the resilient economy

- Flexibility key; remain vigilant as facts & data change
- Diversify cash via balanced portfolios; long-term return forecast near-decade highs

Source: J.P. Morgan Asset Management. For illustrative purposes only. Forecasts, projections and other forward looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections and other forward statements, actual events, results or performance may differ materially from those reflected or contemplated.

J.P. Morgan Model Portfolios – Themes summary

Below are select slides from J.P. Morgan's *Guide to the Markets* that can be used when speaking to clients about our portfolio themes



Still humming along

20: Consumer finances

Economy supported by resilient consumer; area to monitor

23: Unemployment and wages

Unemployment rate remains historically low, wage growth moderating



All eyes on earnings

11: Magnificent 7 performance and earnings dynamics

Focus on areas with strong earnings; potential for opportunities to broaden

47: Secular International trends

Opportunistic in developed markets; maintain diversified exposure across portfolios



Taking the extra credit

31: Fixed income market dynamics

Staying diversified across fixed income – balancing stability & yield

34: Credit maturity and default risks

Composition of high yield market has evolved; default rates below historical averages



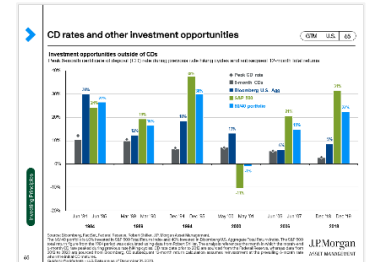
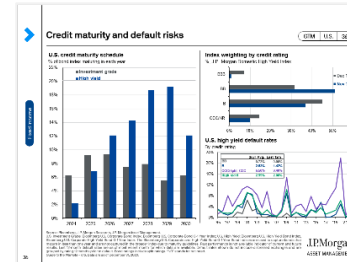
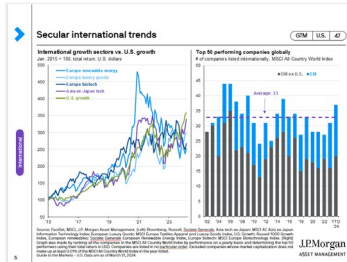
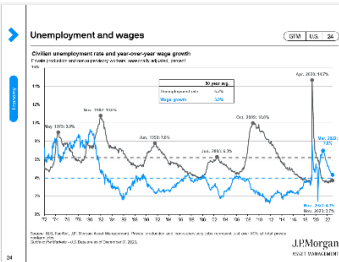
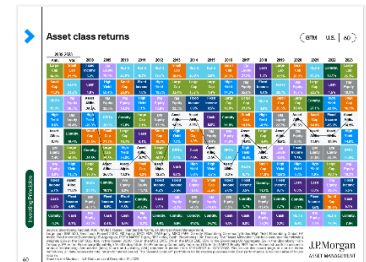
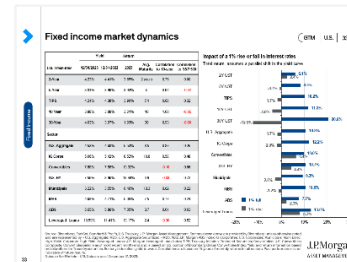
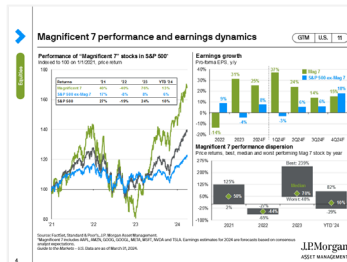
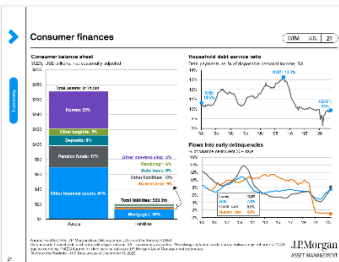
Avoid the cash trap

60: Asset class returns

Focus on diversification is key; cash worst performing asset class

66: CD rates and other investment opportunities

Attractive entry point for other classes outside of CDs



Source: J.P. Morgan Asset Management. For illustrative purposes only.

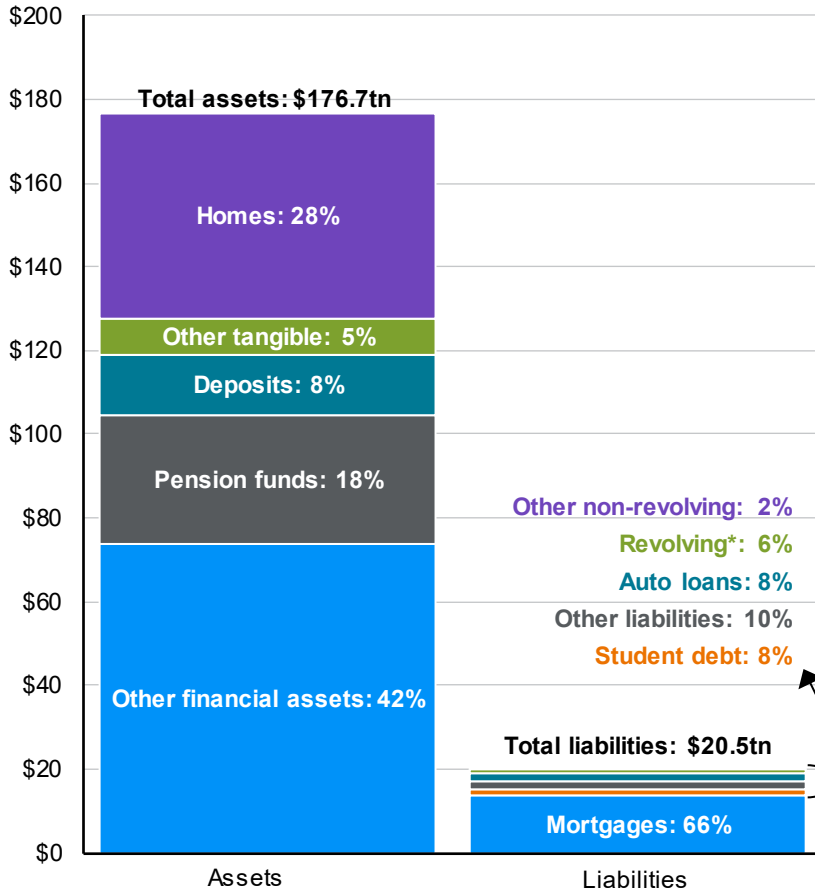


Consumer finances

Economy

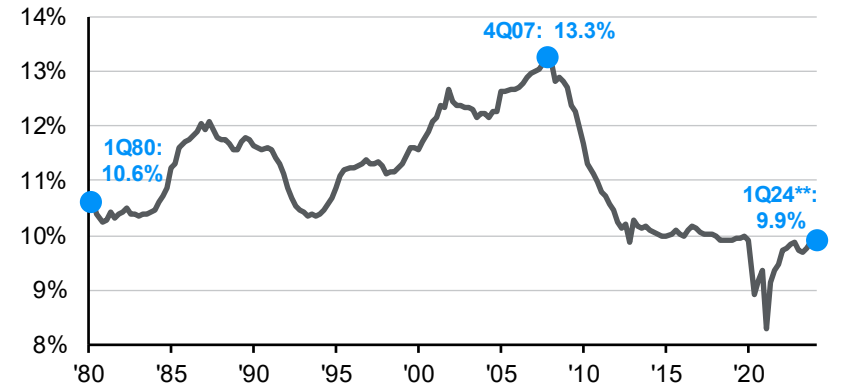
Consumer balance sheet

4Q23, USD trillions, not seasonally adjusted



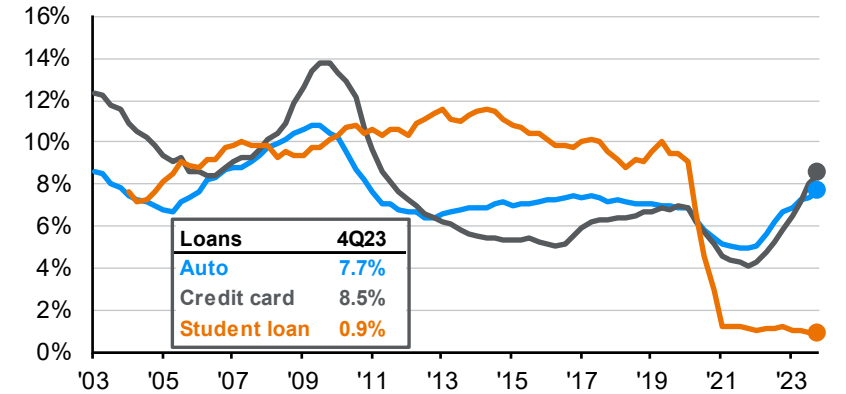
Household debt service ratio

Debt payments as % of disposable personal income, SA



Flows into early delinquencies

% of balance delinquent 30+ days



Source: FactSet, FRB, J.P. Morgan Asset Management; (Top and bottom right) BEA.
 Data include households and nonprofit organizations. SA – seasonally adjusted. *Revolving includes credit cards. Values may not sum to 100% due to rounding.
 **4Q23 and 1Q24 figures for debt service ratio are J.P. Morgan Asset Management estimates.
 Guide to the Markets – U.S. Data are as of March 31, 2024.

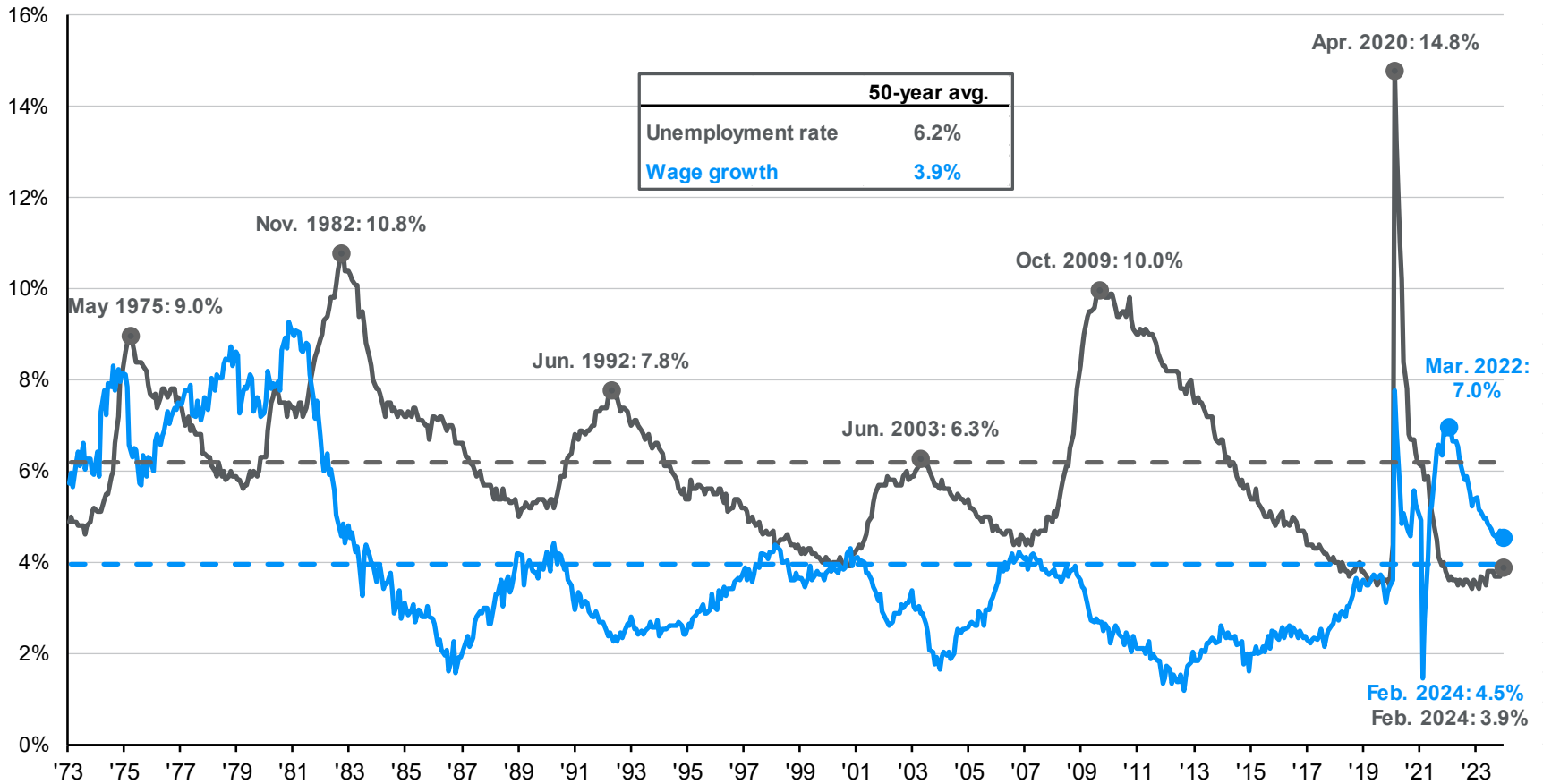


Unemployment and wages

Economy

Civilian unemployment rate and year-over-year wage growth

Private production and non-supervisory workers, seasonally adjusted, percent



Source: BLS, FactSet, J.P. Morgan Asset Management. Private production and non-supervisory jobs represent just over 80% of total private nonfarm jobs. Guide to the Markets – U.S. Data are as of March 31, 2024.



Magnificent 7 performance and earnings dynamics

GTM

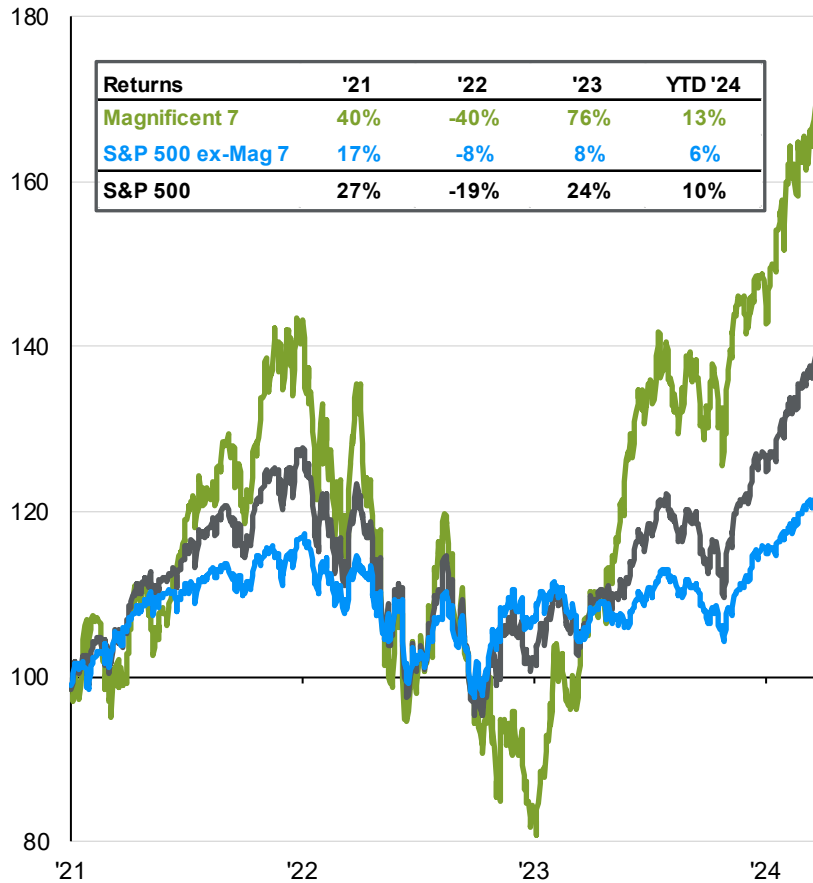
U.S.

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Equities

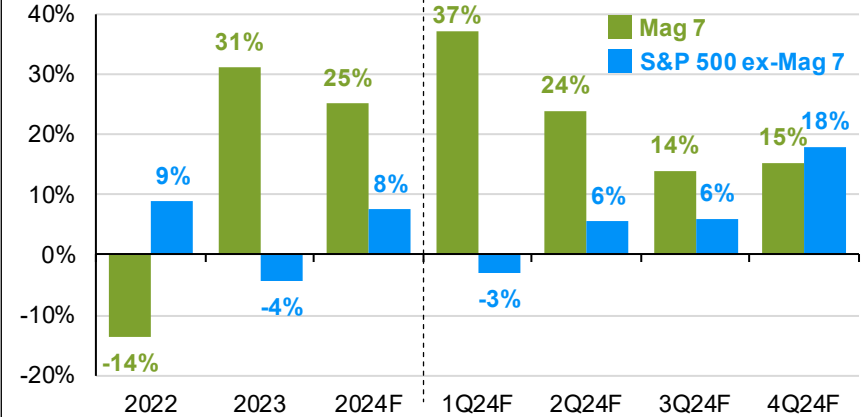
Performance of “Magnificent 7” stocks in S&P 500*

Indexed to 100 on 1/1/2021, price return



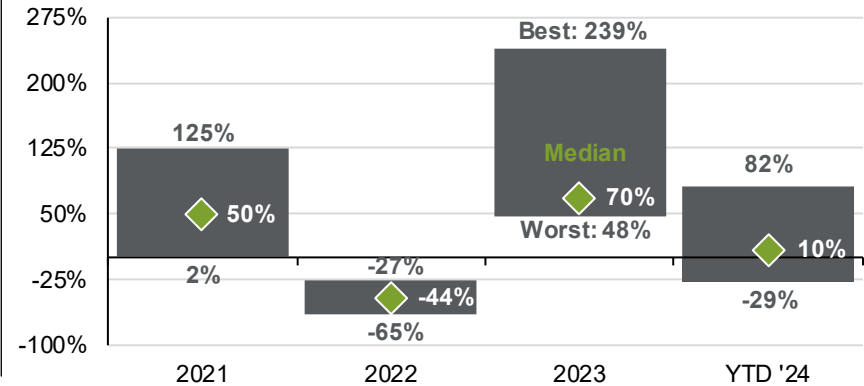
Earnings growth

Pro-forma EPS, y/y



Magnificent 7 performance dispersion

Price returns, best, median and worst performing Mag 7 stock by year



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

*Magnificent 7 includes AAPL, AMZN, GOOG, GOOGL, META, MSFT, NVDA and TSLA. Earnings estimates for 2024 are forecasts based on consensus analyst expectations.

Guide to the Markets – U.S. Data are as of March 31, 2024.

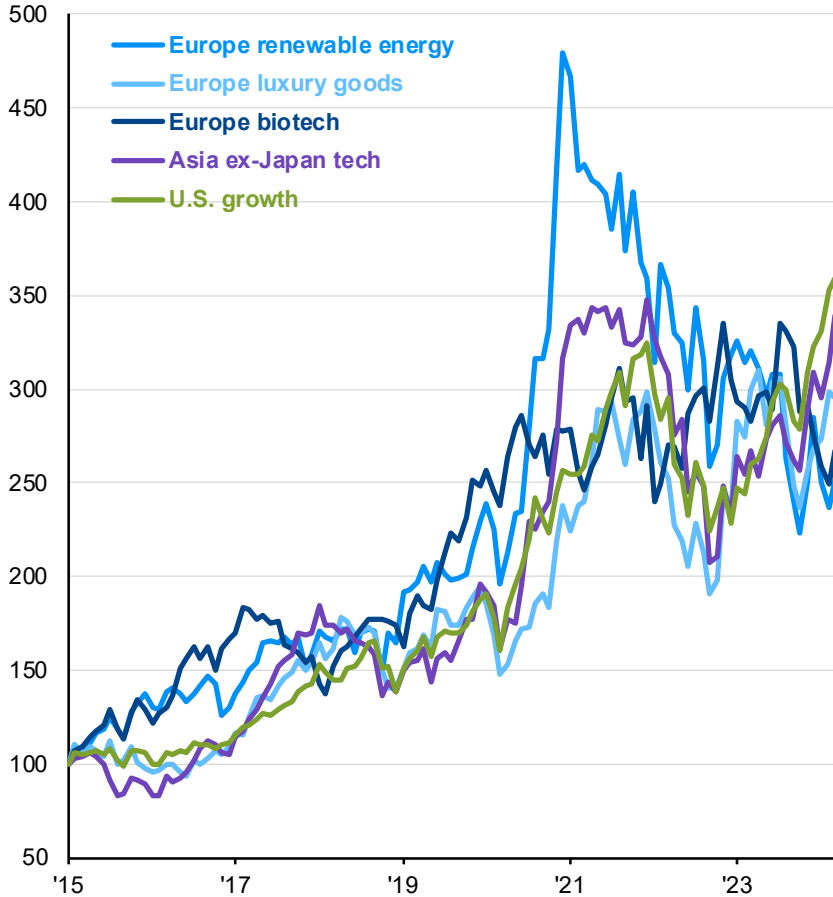


Secular international trends

International

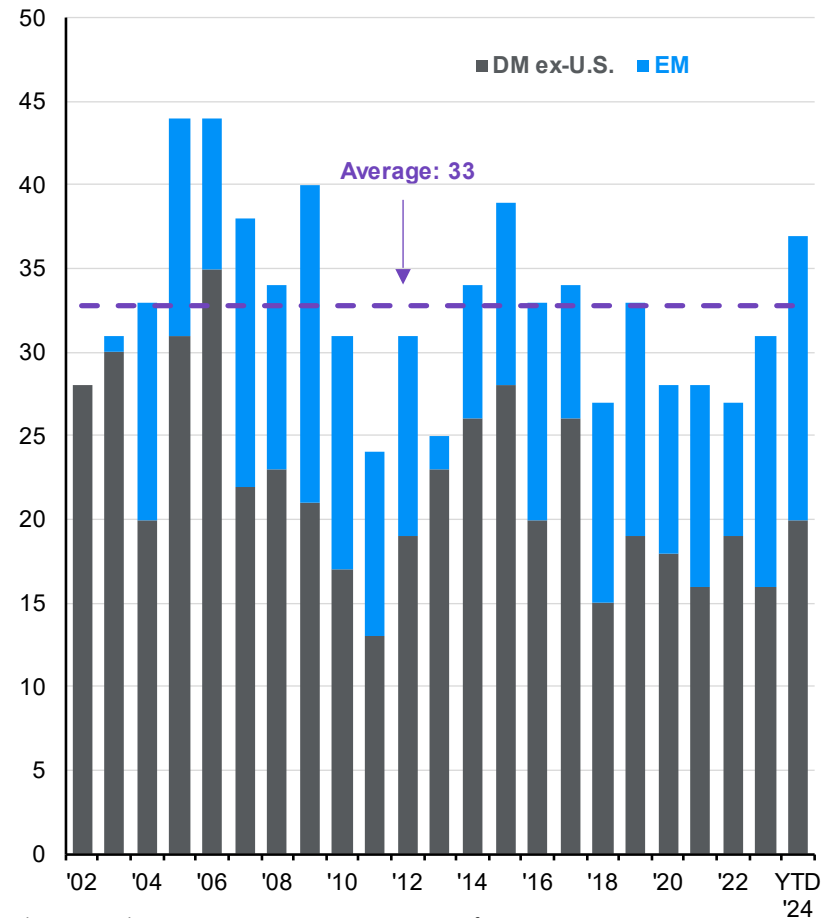
International growth sectors vs. U.S. growth

Jan. 2015 = 100, total return, U.S. dollars



Top 50 performing companies globally

of companies listed internationally, MSCI All Country World Index



Source: FactSet, MSCI, J.P. Morgan Asset Management. (Left) Bloomberg, Russell, Societe Generale. Asia tech ex-Japan: MSCI AC Asia ex-Japan Information Technology Index, European Luxury Goods: MSCI Europe Textiles Apparel and Luxury Goods Index, U.S. Growth: Russell 1000 Growth Index, European renewables: Societe Generale European Renewable Energy Index, Europe biotech: MSCI Europe Biotechnology Index. (Right) Graph was made by ranking all the companies in the MSCI All Country World Index by performance on a yearly basis and determining the top 50 performers using their total return in USD. Companies are listed in no particular order. Excluded companies whose market capitalization does not make up at least 0.01% of the MSCI All Country World Index in the year listed. *Guide to the Markets – U.S.* Data are as of March 31, 2024.



Fixed income market dynamics

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U.S.

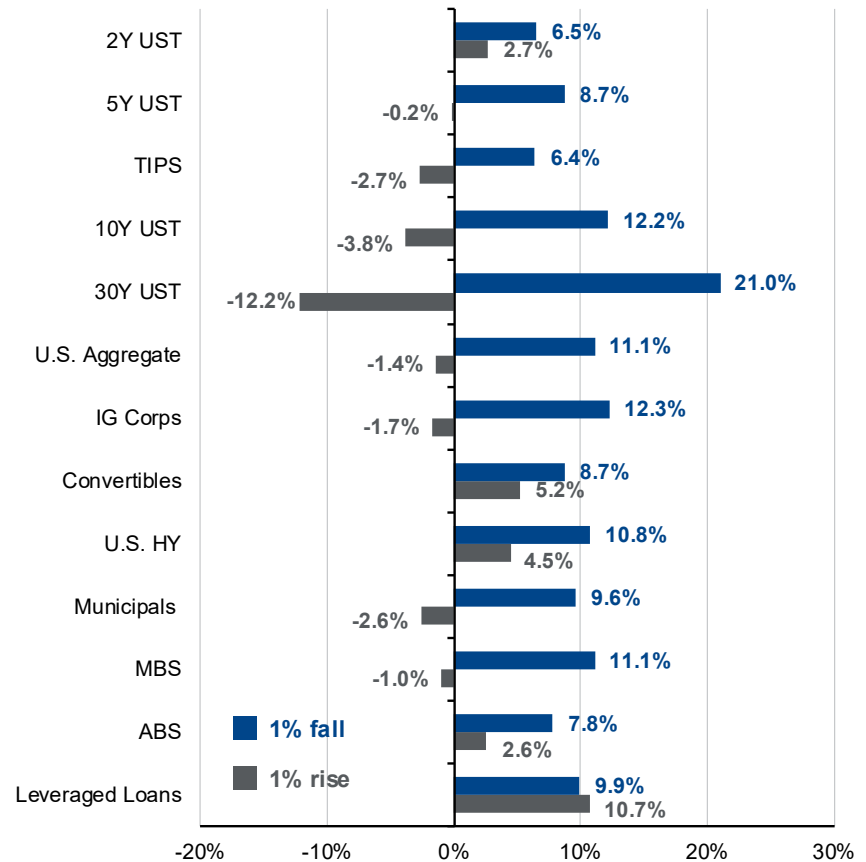
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Fixed Income

U.S. Treasuries	Yield		Return			
	3/31/2024	12/31/2023	2024 YTD	Avg. Maturity	Correlation to 10-year	Correlation to S&P 500
2-Year	4.59%	4.23%	0.24%	2 years	0.75	-0.02
5-Year	4.21%	3.84%	-0.78%	5	0.94	-0.07
TIPS	1.85%	1.72%	-0.08%	7.3	0.71	0.30
10-Year	4.20%	3.88%	-1.67%	10	1.00	-0.13
30-Year	4.34%	4.03%	-4.06%	30	0.93	-0.16
Sector						
U.S. Aggregate	4.85%	4.53%	-0.78%	8.4	0.87	0.24
IG Corps	5.30%	5.06%	-0.40%	10.8	0.60	0.48
Convertibles	6.64%	7.26%	2.09%	-	-0.10	0.87
U.S. HY	7.66%	7.59%	1.47%	4.9	-0.02	0.76
Municipals	3.49%	3.22%	-0.39%	13.3	0.68	0.27
MBS	5.04%	4.68%	-1.04%	7.5	0.79	0.24
ABS	5.79%	5.65%	1.27%	3.6	0.05	-0.03
Leveraged Loans	10.32%	10.59%	0.63%	4.4	-0.14	-0.05

Impact of a 1% rise or fall in interest rates

Total return, assumes a parallel shift in the yield curve



Source: Bloomberg, FactSet, Standard & Poor's, U.S. Treasury, J.P. Morgan Asset Management. Sectors shown above are provided by Bloomberg unless otherwise noted and are represented by – U.S. Aggregate; MBS: U.S. Aggregate Securitized – MBS; ABS: J.P. Morgan ABS Index; IG Corporates: U.S. Corporates; Municipals: Muni Bond; High Yield: Corporate High Yield; Leveraged Loans: J.P. Morgan Leveraged Loan Index; TIPS: Treasury Inflation-Protected Securities; Convertibles: U.S. Convertibles Composite. Convertibles yield is as of most recent month-end and is based on U.S. portion of Bloomberg Global Convertibles Index. Yield and return information based on bellwethers for Treasury securities. Yields shown for TIPS are real yields. Sector yields reflect yield-to-worst. Leveraged loan yields reflect the yield to 3Y takeout. Correlations are based on 15-years of monthly returns for all sectors. ABS returns prior to June 2012 are sourced from Bloomberg. Past performance is not indicative of future results. *Guide to the Markets – U.S.* Data are as of March 31, 2024.

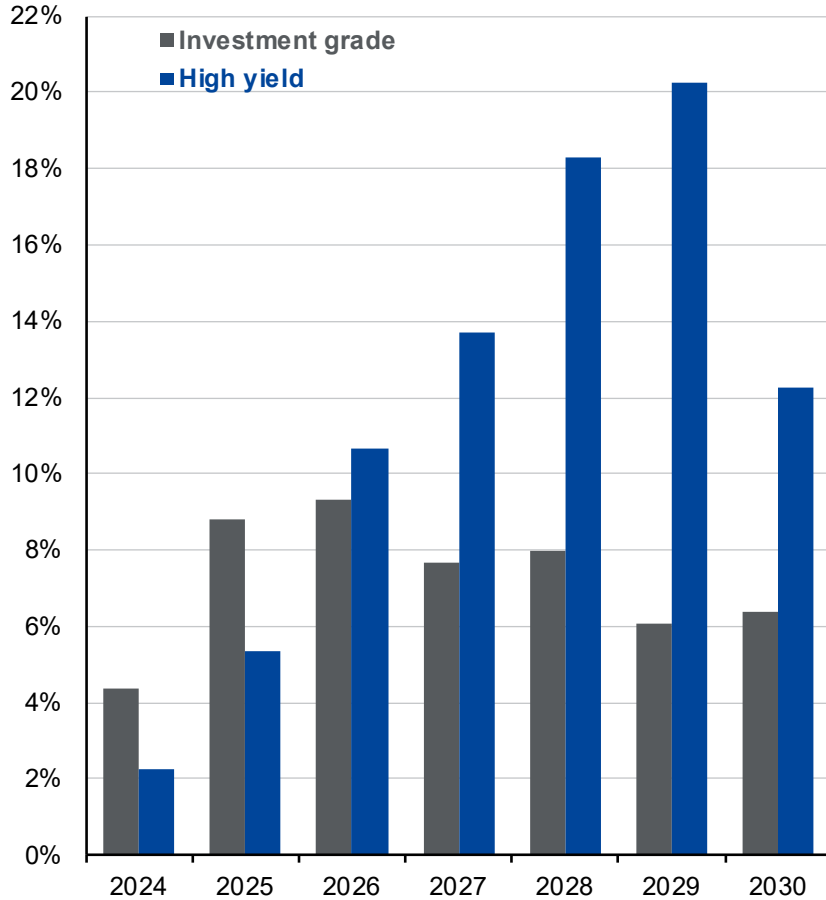


Credit maturity and default risks

Fixed Income

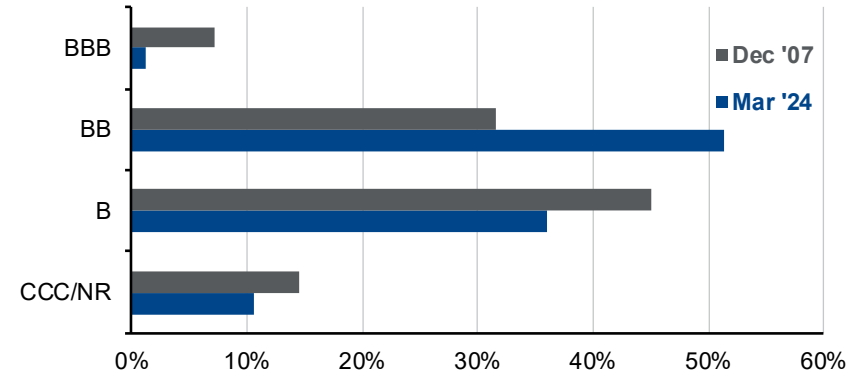
U.S. credit maturity schedule

% of bond index maturing in each year



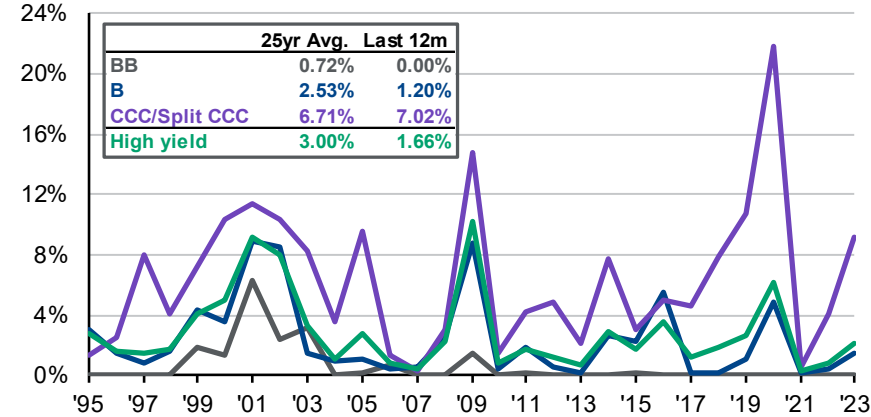
Index weighting by credit rating

%, J.P. Morgan Domestic High Yield Index



U.S. high yield default rates

By credit rating



Source: Bloomberg, J.P. Morgan Research, J.P. Morgan Asset Management.

U.S. Investment Grade: Bloomberg U.S. Corporate Bond Index, Bloomberg U.S. Corporate Bond 0-1 Year Index; U.S. High Yield: Bloomberg U.S. High Yield Bond Index, Bloomberg U.S. Corporate High Yield Bond 0-1 Year Index. The Bloomberg U.S. Corporate and High Yield Bond 0-1 Year Bond Indices are used to capture bonds that mature in less than one year and are not captured in the broader index due to maturity guidelines. Past performance is not a reliable indicator of current and future results. Last 12-month default rates are as of most recent month for which data are available. Default rates shown do not include distressed exchanges and are grouped by rating 12 months prior to default. Bond ratings include split ratings. "NR" stands for not rated.

Guide to the Markets – U.S. Data are as of March 31, 2024.



Asset class returns

GTM

U.S.

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2009-2023		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD
Ann.	Vol.																
Large Cap	Small Cap	EM Equity	REITs	REITs	REITs	Small Cap	REITs	REITs	Small Cap	EM Equity	Cash	Large Cap	Small Cap	REITs	Comdty.	Large Cap	Large Cap
14.0%	21.9%	79.0%	27.9%	8.3%	19.7%	38.8%	28.0%	2.8%	21.3%	37.8%	1.8%	31.5%	20.0%	41.3%	16.1%	26.3%	10.6%
Small Cap	REITs	High Yield	Small Cap	Fixed Income	High Yield	Large Cap	Large Cap	Large Cap	High Yield	DM Equity	Fixed Income	REITs	EM Equity	Large Cap	Cash	DM Equity	DM Equity
11.3%	21.2%	59.4%	26.9%	7.8%	19.6%	32.4%	13.7%	1.4%	14.3%	25.6%	0.0%	28.7%	18.7%	28.7%	1.5%	18.9%	5.8%
REITs	EM Equity	DM Equity	EM Equity	High Yield	EM Equity	DM Equity	Fixed Income	Fixed Income	Large Cap	Large Cap	REITs	Small Cap	Large Cap	Comdty.	High Yield	Small Cap	Small Cap
10.9%	20.3%	32.5%	19.2%	3.1%	18.6%	23.3%	6.0%	0.5%	12.0%	21.8%	-4.0%	25.5%	18.4%	27.1%	-12.7%	16.9%	5.2%
High Yield	DM Equity	REITs	Comdty.	Large Cap	DM Equity	Asset Alloc.	Asset Alloc.	Cash	Comdty.	Small Cap	High Yield	DM Equity	Asset Alloc.	Small Cap	Fixed Income	Asset Alloc.	Asset Alloc.
8.6%	18.4%	28.0%	16.8%	2.1%	17.9%	14.9%	5.2%	0.0%	11.8%	14.6%	-4.1%	22.7%	10.6%	14.8%	-13.0%	14.1%	4.2%
Asset Alloc.	Comdty.	Small Cap	Large Cap	Cash	Small Cap	High Yield	Small Cap	DM Equity	EM Equity	Asset Alloc.	Large Cap	Asset Alloc.	DM Equity	Asset Alloc.	Asset Alloc.	High Yield	Comdty.
8.1%	16.6%	27.2%	15.1%	0.1%	16.3%	7.3%	4.9%	-0.4%	11.6%	14.6%	-4.4%	19.5%	8.3%	13.5%	-13.9%	14.0%	2.2%
DM Equity	Large Cap	Large Cap	High Yield	Asset Alloc.	Large Cap	REITs	Cash	Asset Alloc.	REITs	High Yield	Asset Alloc.	EM Equity	Fixed Income	DM Equity	DM Equity	REITs	EM Equity
7.4%	16.1%	26.5%	14.8%	-0.7%	16.0%	2.9%	0.0%	-2.0%	8.6%	10.4%	-5.8%	18.9%	7.5%	11.8%	-14.0%	11.4%	2.2%
EM Equity	High Yield	Asset Alloc.	Asset Alloc.	Small Cap	Asset Alloc.	Cash	High Yield	High Yield	Asset Alloc.	REITs	Small Cap	High Yield	High Yield	High Yield	Large Cap	EM Equity	High Yield
6.9%	11.5%	25.0%	13.3%	-4.2%	12.2%	0.0%	0.0%	-2.7%	8.3%	8.7%	-11.0%	12.6%	7.0%	1.0%	-18.1%	10.3%	2.1%
Fixed Income	Asset Alloc.	Comdty.	DM Equity	DM Equity	Fixed Income	Fixed Income	EM Equity	Small Cap	Fixed Income	Fixed Income	Comdty.	Fixed Income	Cash	Cash	EM Equity	Fixed Income	Cash
2.7%	11.5%	18.9%	8.2%	-11.7%	4.2%	-2.0%	-1.8%	-4.4%	2.6%	3.5%	-11.2%	8.7%	0.5%	0.0%	-19.7%	5.5%	1.3%
Cash	Fixed Income	Fixed Income	Fixed Income	Comdty.	Cash	EM Equity	DM Equity	EM Equity	DM Equity	Comdty.	DM Equity	Comdty.	Comdty.	Fixed Income	Small Cap	Cash	Fixed Income
0.8%	4.5%	5.9%	6.5%	-13.3%	0.1%	-2.3%	-4.5%	-14.6%	1.5%	1.7%	-13.4%	7.7%	-3.1%	-1.5%	-20.4%	5.1%	-0.8%
Comdty.	Cash	Cash	Cash	EM Equity	Comdty.	Comdty.	Comdty.	Comdty.	Cash	Cash	EM Equity	Cash	REITs	EM Equity	REITs	Comdty.	REITs
-0.2%	0.7%	0.1%	0.1%	-18.2%	-1.1%	-9.5%	-17.0%	-24.7%	0.3%	0.8%	-14.2%	2.2%	-5.1%	-2.2%	-24.9%	-7.9%	-1.3%

Investing Principles

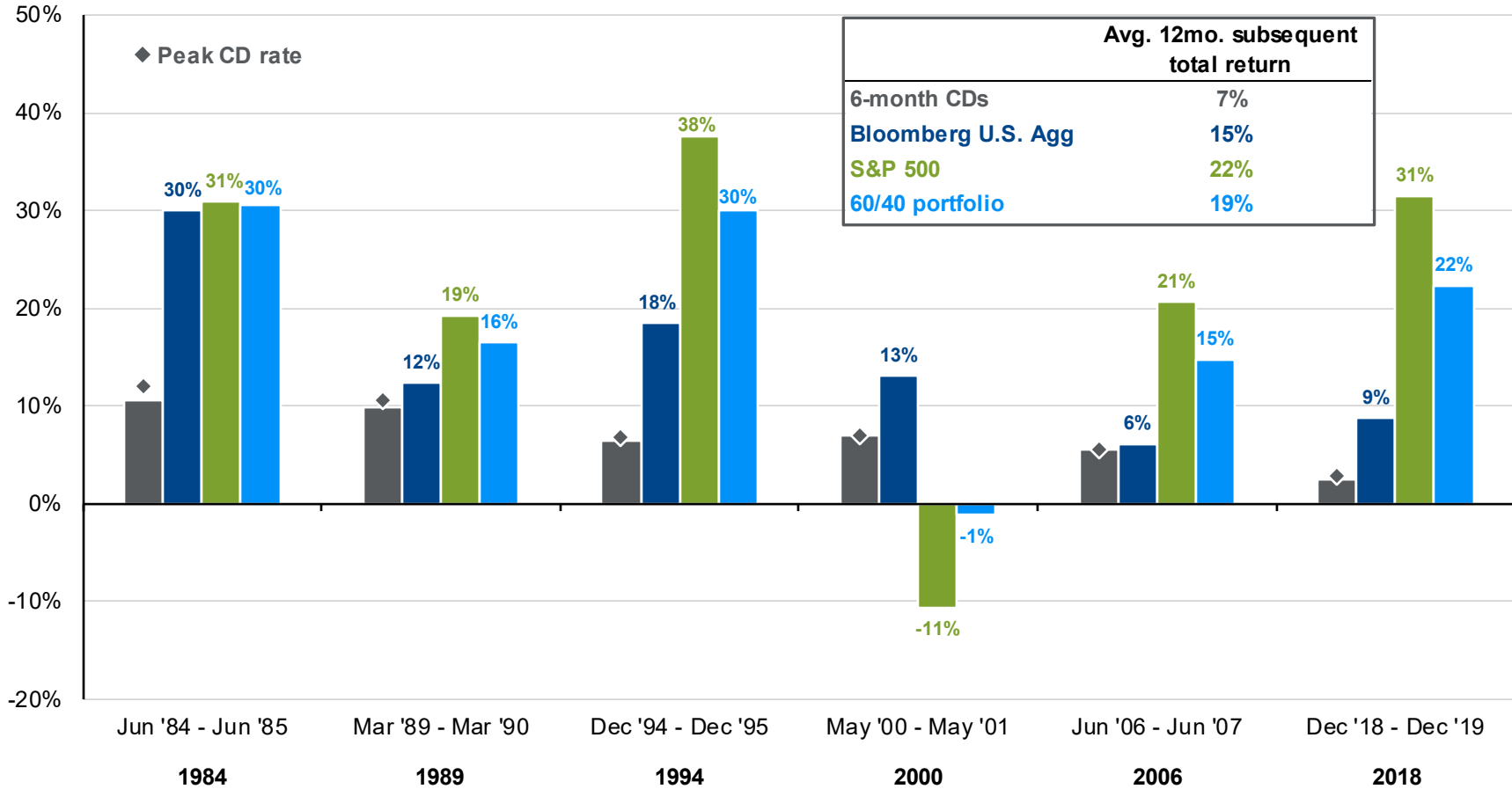
Source: Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management. Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Bloomberg Global HY Index, Fixed Income: Bloomberg US Aggregate, REITs: NAREIT Equity REIT Index, Cash: Bloomberg 1-3m Treasury. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg US Aggregate, 5% in the Bloomberg 1-3m Treasury, 5% in the Bloomberg Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period from 12/31/2009 to 12/31/2023. Please see disclosure page at end for index definitions. All data represents total return for stated period. The "Asset Allocation" portfolio is for illustrative purposes only. Past performance is not indicative of future returns. Guide to the Markets – U.S. Data are as of March 31, 2024.



CD rates and other investment opportunities

Investment opportunities outside of CDs

Peak 6-month certificate of deposit (CD) rate during previous rate hiking cycles and subsequent 12-month total returns



Investing Principles

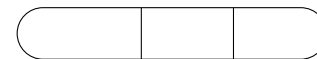
Source: Bloomberg, FactSet, Federal Reserve, Standard and Poor's, J.P. Morgan Asset Management.

The 60/40 portfolio is 60% invested in S&P 500 Total Return Index and 40% invested in Bloomberg U.S. Aggregate Total Return Index. The analysis references the month in which the month-end 6-month CD rate peaked during previous rate hiking cycles. CD rate data prior to 2013 are sourced from the Federal Reserve, whereas data from 2013 to 2023 are sourced from Bloomberg. CD subsequent 12-month return calculation assumes reinvestment at the prevailing 6-month rate when the initial CD matures.

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