Monthly Market Review

June 2019

Tariffs cloud business outlook

Protectionist uncertainties to cool business investment plans

May 2019 could be a pivotal point of this economic cycle. U.S. President Donald Trump's tweet on May 10 announcing an increase in tariffs from 10% to 25% for USD 200billion worth of Chinese exports has significantly dented market optimism that Beijing and Washington could reach a trade deal quickly. The subsequent rise in scrutiny on selected Chinese tech companies by the U.S. government has also escalated tension by several notches. Beijing has since shown a tough stance of "we prefer to negotiate, but we are not afraid to fight if we have to". The next key event will be the G20 Summit in Osaka on June 28-29, where Chinese President Xi Jinping and President Trump will be in the same place and another summit is possible. While the hope is that the two leaders would come up with another truce similar to the one agreed to in Buenos Aires last November, the economic and market implications are worth considering. Assuming they agree to freeze tariff increases again, the financial markets could react with a cheer.

However, global businesses are likely to be less forgiving. They would be mindful that the 2020 presidential election could increase uncertainties in trade relationships between the U.S. and a number of its key trade partners. President Trump using tariffs as a threat to Mexico to address illegal immigrants is a case in point. This implies that companies could be cautious in making new investments. While gross capital formation is typically around 20%-25% of the global gross domestic product (GDP), this is also the more dynamic part of global growth. Hence, cautious business sentiment would increase the risk of weaker growth, or even recession.

Bond market signals more growth worries

Bond investors continue to reflect their concerns over growth, with the U.S. Treasury (UST) 10-year yield falling below 2.3% for the first time since late 2017. The German 10-year government bond yield fell to its record low on May 31, as investors look for a safe haven amid fear of weaker growth. The U.S. Treasury yield curve inverted again with the 3-month bill yield being higher than the 10-year bond yield. We have argued in the past that investors should interpret the UST yield curve with care given years of quantitative easing by global central banks creating distortions.

However, with business confidence coming under pressure due to trade issues, there is now a clear possible trigger for weaker growth. The month of June could be crucial to observe whether the Trump administration is willing to pull back from some of its tariffs announced. We could also see other governments and central banks do more to support growth.

Central banks coming to the rescue again?

A number of central banks opted to cut rates in May, such as Malaysia, the Philippines and New Zealand. A more balanced Federal Reserve (Fed) has helped to ease currency pressure on emerging market currencies. This provided more room for monetary easing.

The two giants in the room would be the U.S. and China. A number of senior Fed officials are now open to keep policy flexible depending on incoming data. The rate hike bias in 2018 has shifted to a more balanced view, and this led investors to believe that the next move could be a cut. This has been reflected in the futures market since late 2018. The rising trade tension and subsequent decline in business confidence could well force the Fed to do just that. This is despite the fact that U.S. consumption remains in good shape, supported by a strong job market and relatively healthy household balance sheet.

For China, the People's Bank of China is still mindful not to flood the economy with liquidity and lead to a bigger debt burden to deal with in the future. However, the economic costs from the trade tension would still need to be addressed. Its April economic data was also weaker than expected, showing that the 1Q rebound was short-lived. With tax cuts and government fee reductions only implemented earlier in the year, it could be fiscal spending's turn to do the heavy lifting.

Investors need more than a firm handshake to cheer again

The 5% correction in MSCI World in May was hardly catastrophic, especially considering the strong gain in the first four months of 2019. The widening of the credit spread in the U.S. corporate debt market was also modest in scale, from a relatively tight level.

For investors to embrace risk assets again, a more cordial relationship between China and the U.S. is needed, but perhaps will not sufficient. This improvement needs to be sustainable and reduce business uncertainties. This still seems like a sensible strategy for President Trump to get re-elected, so we still believe there is a role for equities to play in asset allocation. This is particularly true if we consider the low earnings expectations across the world for 2019, and how U.S. companies have outperformed in 1Q 2019. Earnings per share (EPS) growth reached 4.5%, or 6.8% excluding energy, and 75% of companies beat earnings estimates.

Asian corporate earnings may take longer to recover given the delay in trade cycle improvement. The focus here would be the domestic demand story, especially with the rise in the middle class in large markets, such as China, India, Indonesia and broader southeast Asia. Possible supply chain diversification from China to other parts of Asia would benefit these markets too.

The low yield environment is likely to push more investors toward income-generating assets, such as corporate debt and emerging market fixed income. Relatively low default rates also help. Risk aversion has supported the U.S. dollar and Japanese yen. What has been a surprise is the lack of direction in gold, which traditionally is well supported in falling real yield environment.

Global economy:

- U.S.-China trade tensions returned to investors' focus as President Trump announced raising tariffs on USD 200billion of exports from 10% to 25%, as well as scrutinizing more Chinese tech companies' business in the U.S. and their business relationships with U.S. companies. He also announced the introduction of a 5% tariff on all exports from Mexico beginning June 10 due to illegal immigration issues.
- Trade tension is raising investors' fear of rising risk of recession in the U.S. and weaker growth globally. The Federal Reserve is content with current policy rates, but could cut rates if economic data weakens. Meanwhile, central banks in Asia, including Malaysia, the Philippines and New Zealand, have cut rates as currency pressure eases. (GTMA P. 28, 19)

Equities:

- The return of trade tension has put pressure on global equities. The S&P 500 and Euro Stoxx 50 were down 5% in May. This correction came despite the fact that U.S. 1Q corporate earnings were stronger than expected. EPS growth reached 4.5%, or 6.8% excluding energy, and 75% of companies beat earning estimates. (GTMA P. 32, 41)
- In Asia, the CSI 300 lost 6.8% in May and H-shares in Hong Kong were down 9.5%. Other export-oriented economies, such as South Korea, Taiwan and Singapore, saw heavier losses due to escalating trade tension. Thailand, Malaysia and the Philippines have shown greater resilience. Indian equities, on the back of PM Modi maintaining BJP's majority in the parliament, have gained as investors appreciate political stability. (GTMA P. 32, 39)

Fixed income:

- Growth worries, partly due to escalating trade tension, pushed U.S. Treasury yields lower by 32bps in May. The 10-year yield fell below 2.2%, the lowest since late 2017. The spread between the 3-month T bill and 10-year yield has inverted again. The same trend is observed around other developed markets. The German Bund 10-year yield was 18bps lower in the month and returned to negative yield. (GTMA P. 45, 49)
- U.S. high yield debt experienced a modest widening of credit spread (60bps) in May as growth fears returned. This was partly offset by falling risk-free rates. For emerging markets, quality prevailed with investment-grade sovereign and corporate debt generating a modest positive return, while high yield was under pressure from spread widening. (GTMA P. 51, 52, 53)

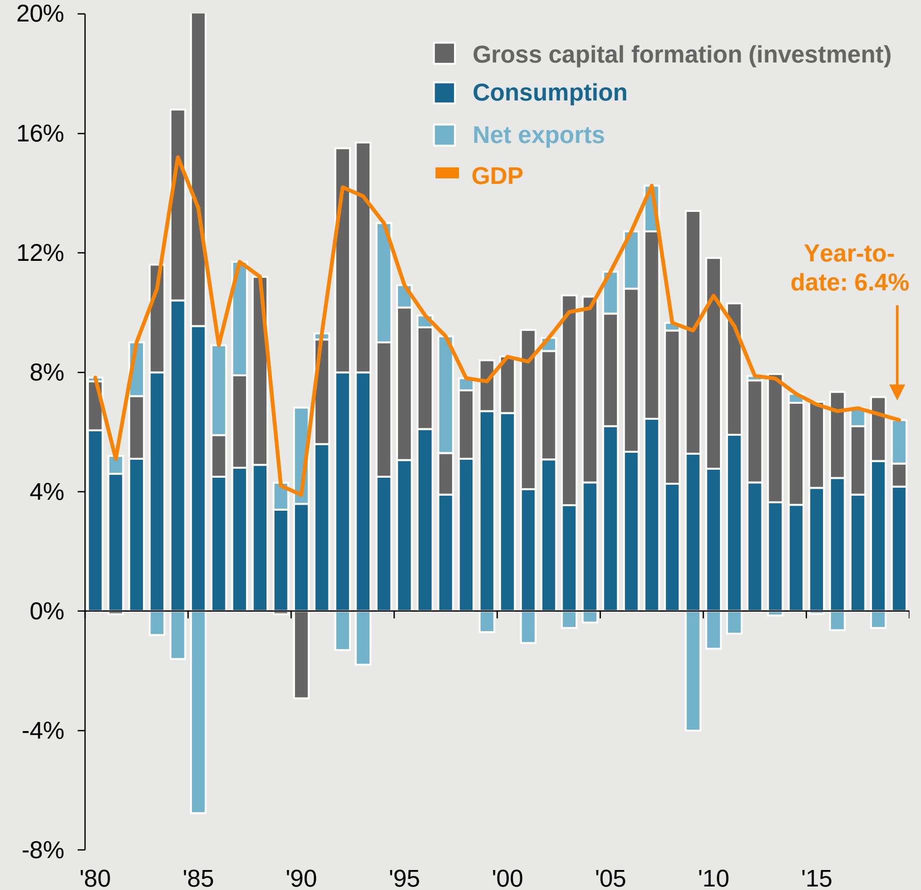
Other assets:

- Concerns over weaker demand beat geopolitical uncertainties and potential supply disruptions in Iran and Venezuela. The price of West Texas Intermediate oil fell by 8% in May to below USD 60pb. Gold failed to take advantage of the latest bout of risk aversion and decline in real yields. The price of gold is still capped below USD 1,300/oz. (GTMA P. 61, 62)
- The USD index gained 0.7% in May despite falling UST yields. The euro suffered with falling local interest rates, but risk aversion has helped to boost demand for Japanese yen. For Asia, a key focus has been the weakening of the Chinese yuan and whether it will depreciate beyond the psychologically important level of 7 to a USD. Officials from the People's Bank of China have reinforced the message that they would prefer currency stability. (GTMA P. 58, 59)

Regional and local economy

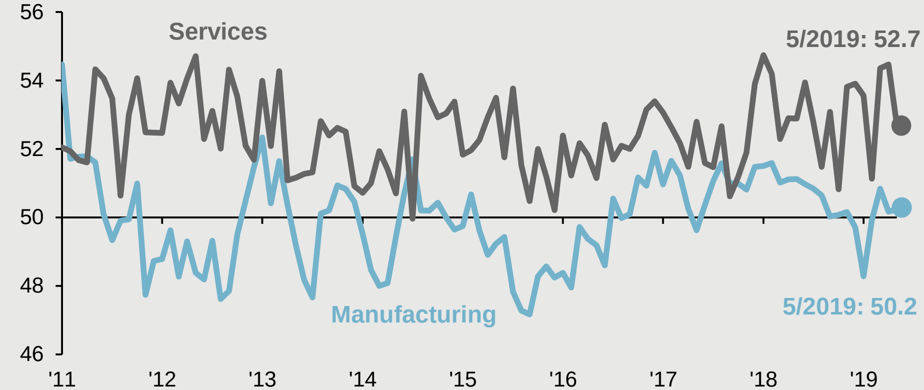
Contribution to real GDP growth

Year-over-year change



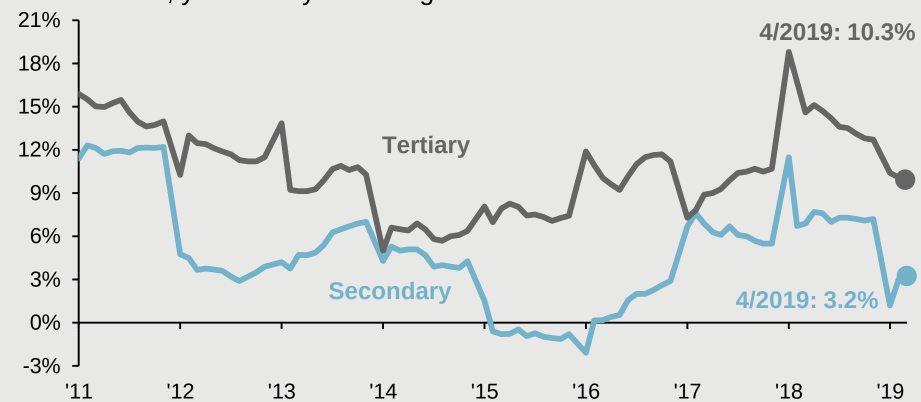
Caixin/Markit Purchasing Managers' Indices

Level



Electricity consumption

Year-to-date, year-over-year change



Source: J.P. Morgan Asset Management; (Left) CEIC, National Bureau of Statistics of China; (Top right) Caixin/Markit, J.P. Morgan Economic Research; (Bottom right) CEIC, China Electricity Council.

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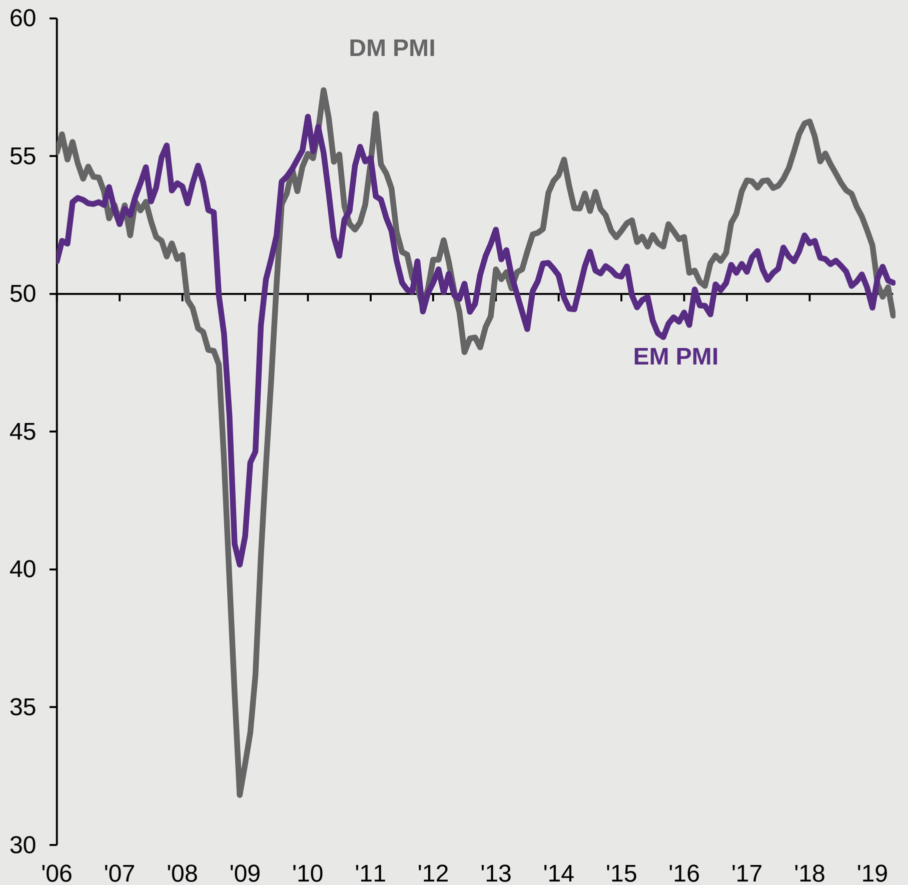
Global Purchasing Managers' Index (PMI): Manufacturing

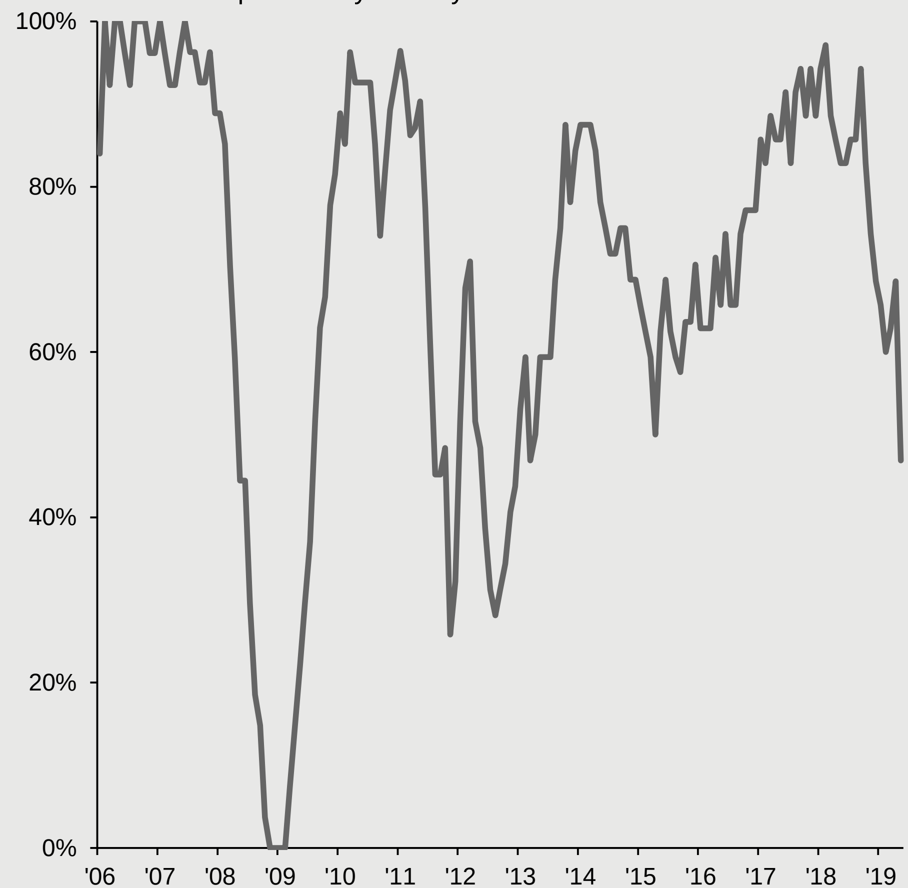
Global economy

Developed and emerging market manufacturing PMI*



Global manufacturing activity

% of markets in expansionary territory**



Source: Australian Industry Group, J.P. Morgan Economic Research, Markit, J.P. Morgan Asset Management.
PMIs are relative to 50, which indicates contraction (below 50) or expansion (above 50) of the sector. *Developed market includes Australia, Canada, Denmark, Euro area, Japan, New Zealand, Norway, Sweden, Switzerland, UK and U.S. Emerging market includes Brazil, Chile, China, Colombia, Croatia, Czech Republic, Hong Kong SAR, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Philippines, Poland, Romania, Russia, Saudi Arabia, Singapore, South Africa, Taiwan, Thailand, Turkey and Vietnam. **% of countries available with a manufacturing PMI above 50.
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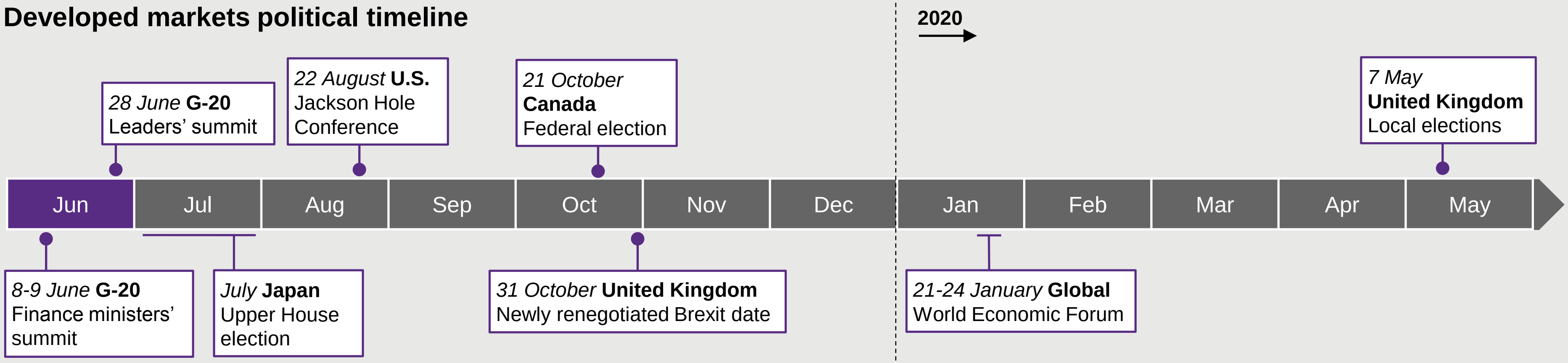
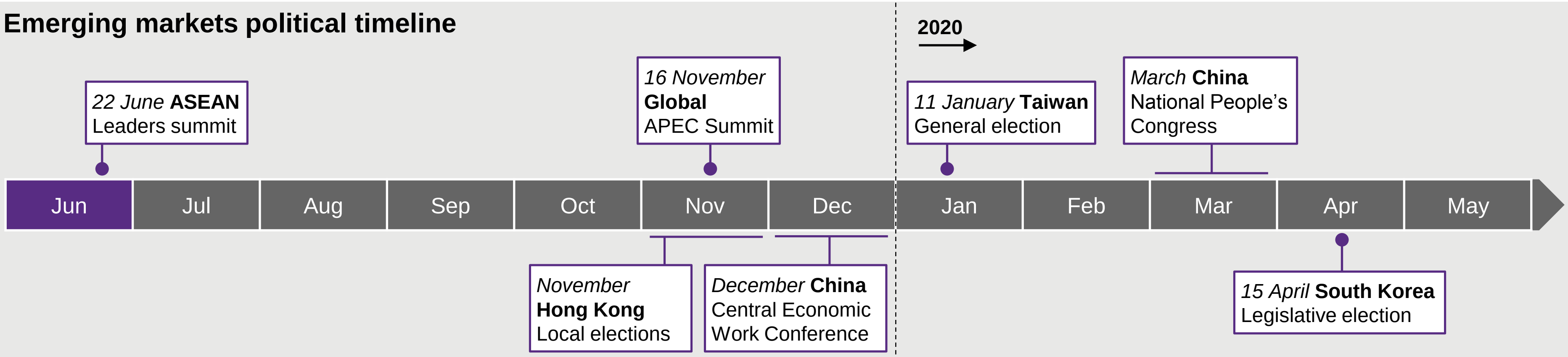
Global economy

Developed markets political timeline



Emerging markets political timeline



Source: Bloomberg Finance L.P., J.P. Morgan Asset Management.
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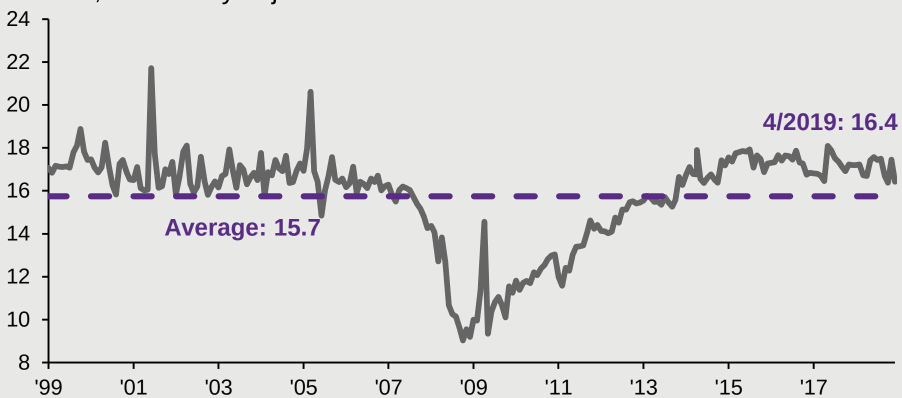
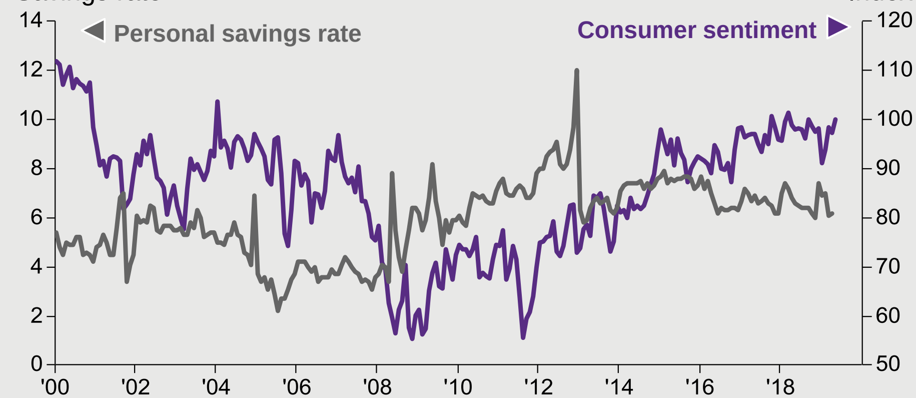
Light vehicle sales

Millions, seasonally adjusted annualized rate



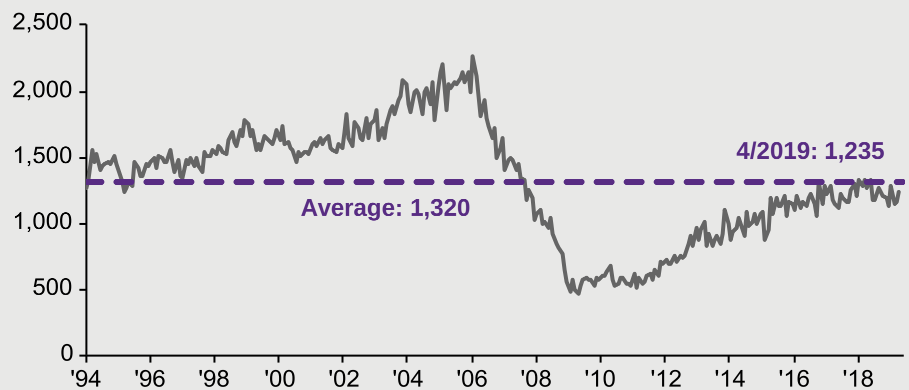
Savings and sentiment

Savings rate Index



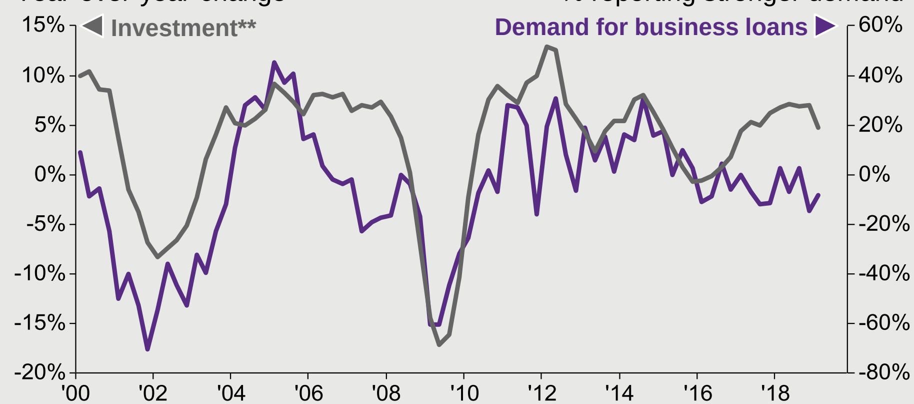
Housing starts

Thousands, seasonally adjusted annualized rate



Investment and demand for credit

Year-over-year change % reporting stronger demand*



Source: J.P. Morgan Asset Management; (Top left) U.S. Bureau of Economic Analysis; (Top right, bottom left and right) FactSet; (Bottom left and right) U.S. Census Bureau. *Net percent of participants in the Senior Loan Officer Survey. **Private investment in non-residential fixed assets in real terms.
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Global economy

U.S. business cycle indicators

	Recent recessions 1990 Jul	2001 Apr	2007 Dec	2018 Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2019 Jan	Feb	Mar	Apr
Real consumer spending SAAR (y/y)	2.6%	2.7%	1.2%	2.2%	2.5%	2.6%	2.7%	3.0%	3.1%	2.7%	2.8%	2.8%	2.0%	2.5%	2.7%	3.1%	2.7%
Light vehicle sales SAAR (mil.)	13.8	16.5	15.7	17.2	17.2	17.2	17.2	16.7	16.7	17.4	17.6	17.4	17.5	16.7	16.4	17.4	16.4
Housing starts SAAR (mil.)	1.17	1.65	1.04	1.33	1.27	1.33	1.18	1.18	1.28	1.24	1.21	1.20	1.14	1.29	1.15	1.17	1.24
ISM Mfg.	46.6	42.7	49.0	59.3	57.9	58.7	60.0	58.4	60.8	59.5	57.5	58.8	54.3	56.6	54.2	55.3	52.8
ISM Non-mfg.	-	48.2	53.2	58.7	57.2	58.9	58.7	56.7	58.8	60.8	60.0	60.4	58.0	56.7	59.7	56.1	55.5
Durable goods orders (y/y)	-	-11.9%	5.7%	10.3%	9.0%	10.2%	2.6%	10.2%	12.4%	8.0%	6.2%	5.4%	3.7%	8.4%	0.5%	0.8%	0.0%
Change in nonfarm payrolls (000s)	-33	-286	110	182	196	270	262	178	282	108	277	196	227	312	56	189	263
Avg. hourly earnings (y/y)	4.0%	4.0%	3.8%	2.7%	2.8%	2.9%	2.9%	2.9%	3.1%	3.0%	3.2%	3.4%	3.5%	3.4%	3.4%	3.3%	3.4%
S&P 500 net margin (%)	-	8.5%	9.7%	9.8%	9.8%	10.0%	10.1%	10.1%	10.3%	10.4%	10.4%	10.7%	10.8%	10.8%	11.1%	11.1%	11.2%
Monetary policy gauge (%)*	1.5%	0.4%	0.6%	-1.1%	-0.8%	-0.9%	-0.8%	-0.8%	-0.7%	-0.7%	-0.3%	-0.4%	-0.3%	0.0%	0.1%	0.3%	0.2%
Yield curve spread (bps)**	45	105	99	47	46	43	33	29	24	24	28	21	21	18	21	14	24
High yield credit spread (bps)***	718	779	597	410	387	403	406	383	387	365	418	464	567	473	437	452	421

Source: BEA, BLS, Department of Labor, FactSet, Institute for Supply Management, Standard & Poor's, U.S. Census Bureau, J.P. Morgan Asset Management.
SAAR stands for seasonally adjusted annualized rate. *Monetary policy gauge is the spread between the effective federal funds rate deflated by core Personal Consumption Expenditure price index and the Laubach Williams 2-sided estimate of the natural rate of interest. **Yield curve spread is the spread between the 2-year and 10-year U.S. Treasury yields. ***High yield credit spread is the J.P. Morgan Domestic High Yield index spread-to-worst. Heatmap colors are based on each indicator's deviation from its average value during the start of the last 3 recessions (6/90 – 8/90, 3/01 – 5/01 and 11/07 – 1/08) using data where available. The exception to this is the yield curve spread, which is scored around 0. Colors closer to green denote early or mid-cycle behavior while colors closer to red denote late cycle or recessionary behavior.
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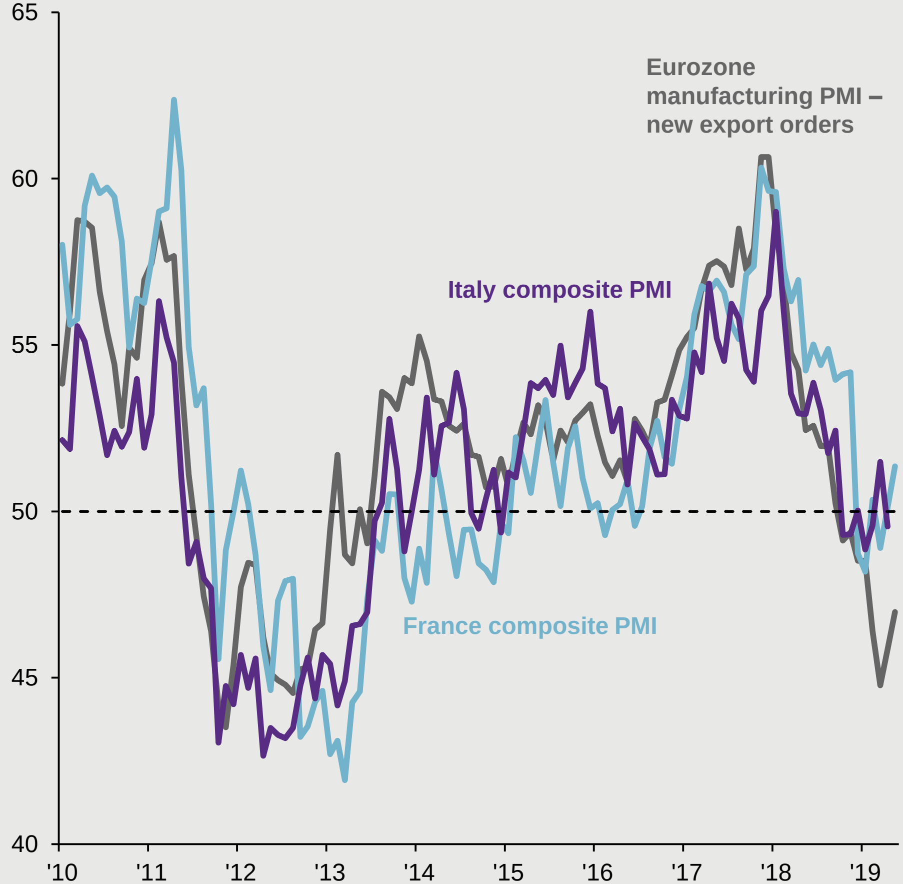
Eurozone: Economic snapshot

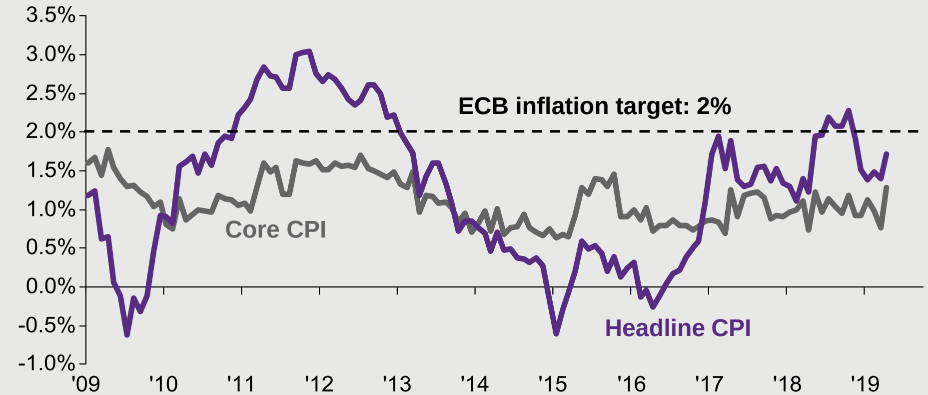
Eurozone PMIs

Index



Eurozone CPI inflation

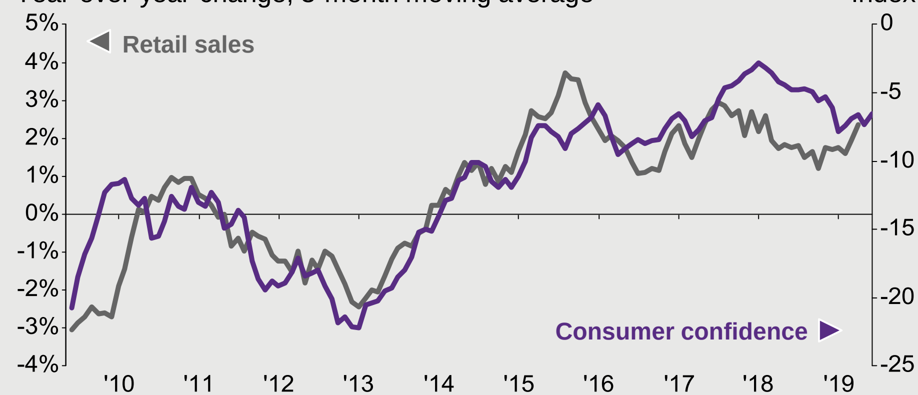
Year-over-year change



Consumer confidence* and retail sales

Year-over-year change, 3-month moving average

Index



Source: FactSet, J.P. Morgan Asset Management; (Left) J.P. Morgan Economic Research, Markit; (Top and bottom right) Eurostat; (Bottom right) European Commission. PMIs are relative to 50, which indicates contraction (below 50) or expansion (above 50) of the sector. Core CPI is defined as CPI excluding food and energy prices. *Eurozone consumer confidence as reported by the European Commission, which measures the level of optimism that consumers have about the economy.

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Global and Asia equity market returns

Equities

												10-yrs ('09 - '19)	
2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	1Q '19	YTD '19	Ann. Ret.	Ann. Vol.
India 102.8%	ASEAN 32.4%	U.S. 2.1%	India 26.0%	U.S. 32.4%	China A 52.1%	Japan 9.9%	Taiwan 19.6%	China 54.3%	U.S. -4.4%	China A 31.4%	China A 20.5%	U.S. 13.9%	China A 26.8%
China A 98.5%	Korea 27.2%	ASEAN -6.1%	China 23.1%	Japan 27.3%	India 23.9%	China A 2.4%	U.S. 12.0%	Korea 47.8%	India -7.3%	China 17.7%	U.S. 10.7%	Taiwan 8.4%	India 24.7%
Taiwan 80.2%	Taiwan 22.7%	Europe -10.5%	ASEAN 22.8%	Europe 26.0%	U.S. 13.7%	U.S. 1.4%	Korea 9.2%	India 38.8%	Taiwan -8.2%	U.S. 13.6%	Europe 9.1%	ASEAN 8.3%	China 21.1%
ASEAN 75.0%	India 20.9%	Korea -11.8%	APAC ex-JP 22.6%	Taiwan 9.8%	Taiwan 10.1%	Europe -2.3%	APAC ex-JP 7.1%	APAC ex-JP 37.3%	ASEAN -8.4%	APAC ex-JP 11.5%	India 8.0%	APAC ex-JP 7.7%	Korea 20.9%
APAC ex-JP 73.7%	APAC ex-JP 18.4%	Japan -14.2%	Korea 21.5%	Korea 4.2%	China 8.3%	India -6.1%	ASEAN 6.2%	China A 32.6%	Japan -12.6%	Europe 11.0%	APAC ex-JP 5.6%	Korea 7.1%	Taiwan 17.7%
Korea 72.1%	Japan 15.6%	APAC ex-JP -15.4%	Europe 19.9%	China 4.0%	ASEAN 6.4%	Korea -6.3%	Japan 2.7%	ASEAN 30.1%	APAC ex-JP -13.7%	Taiwan 9.0%	China 4.6%	Europe 6.7%	APAC ex-JP 17.3%
China 62.6%	U.S. 15.1%	China -18.2%	Taiwan 17.7%	APAC ex-JP 3.7%	APAC ex-JP 3.1%	China -7.6%	China 1.1%	Taiwan 28.5%	Europe -14.3%	India 7.2%	Taiwan 4.5%	India 6.3%	Europe 16.9%
Europe 36.8%	China 4.8%	Taiwan -20.2%	U.S. 16.0%	China A -2.6%	Japan -3.7%	APAC ex-JP -9.1%	Europe 0.2%	Europe 26.2%	China -18.7%	Japan 6.8%	Japan 4.0%	China 6.0%	ASEAN 16.1%
U.S. 26.5%	Europe 4.5%	China A -20.5%	China A 10.9%	India -3.8%	Europe -5.7%	Taiwan -11.0%	India -1.4%	Japan 24.4%	Korea -20.5%	ASEAN 5.1%	ASEAN 3.6%	Japan 5.9%	Japan 13.3%
Japan 6.4%	China A -8.4%	India -37.2%	Japan 8.4%	ASEAN -4.5%	Korea -10.7%	ASEAN -18.4%	China A -15.2%	U.S. 21.8%	China A -27.6%	Korea 5.0%	Korea -4.4%	China A 4.6%	U.S. 12.5%

Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management.
Returns are total returns based on MSCI indices, except the U.S., which is the S&P 500 and China A, which are based on the CSI 300 index in U.S. dollar terms. China return is based on the MSCI China index. 10-yr total (gross) return data is used to calculate annualized returns (Ann. Ret.) and annualized volatility (Ann. Vol.) and reflect the period 31/05/09 – 31/05/19. Past performance is not a reliable indicator of current and future results.
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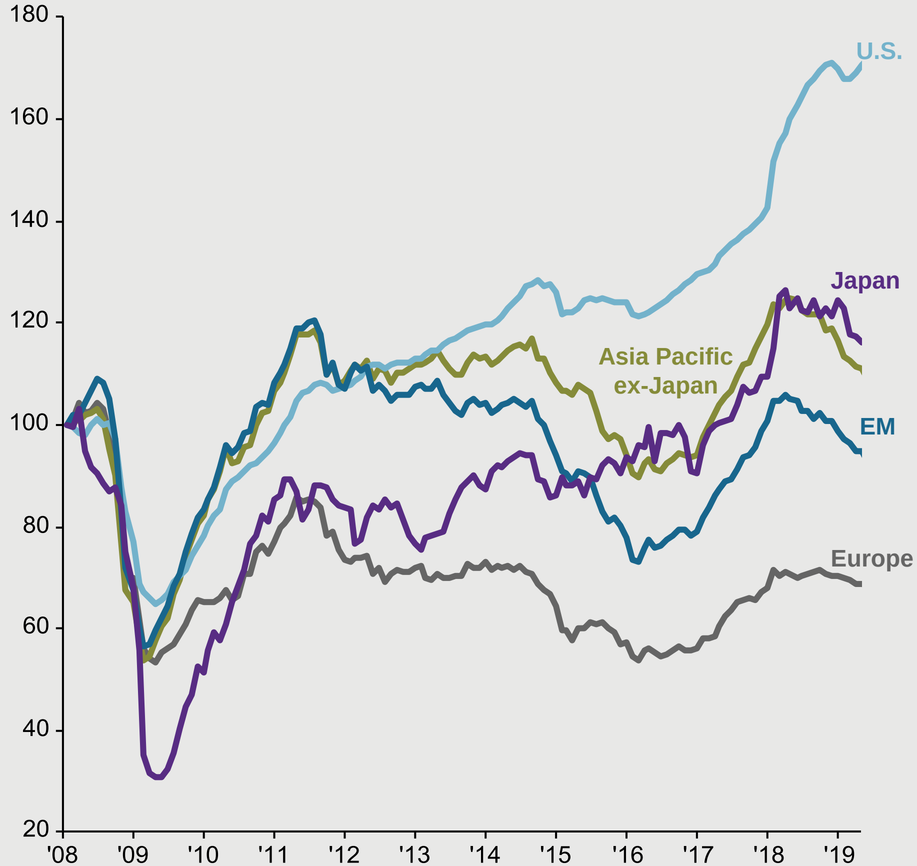
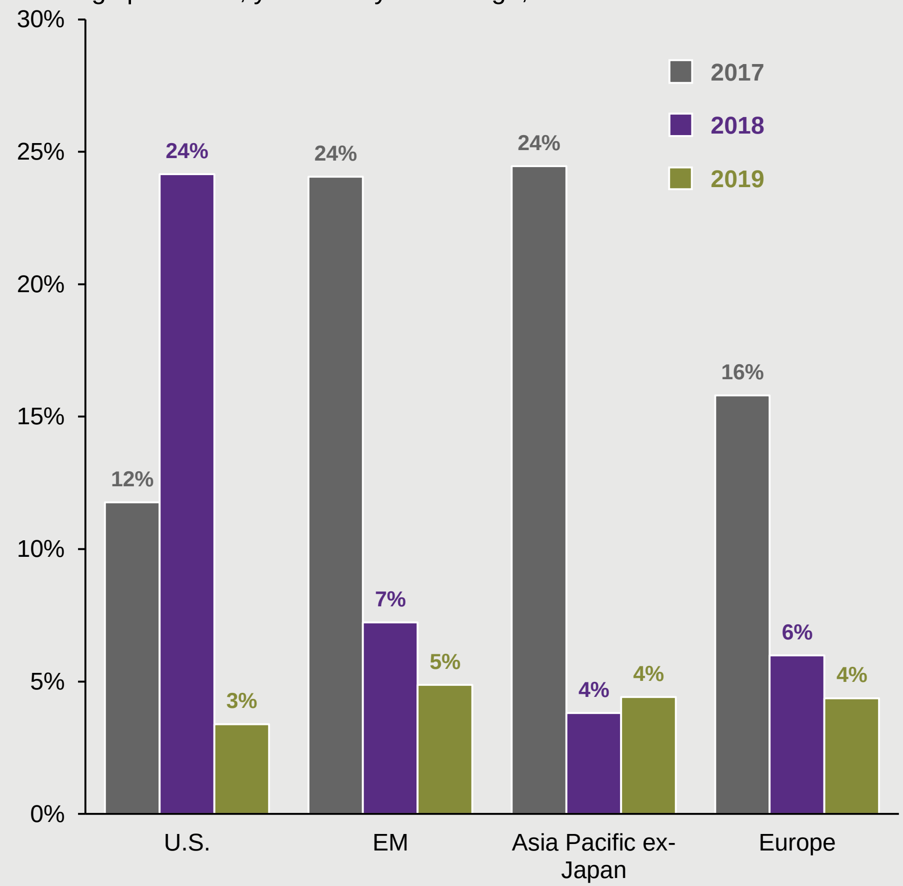
Global equities: Earnings expectations

Forward earnings per share
Index, U.S. dollar, Jan. 2008 = 100



Earnings growth
Earnings per share, year-over-year change, consensus estimates



Source: FactSet, J.P. Morgan Asset Management. (Left) MSCI, Standard & Poor's; (Right) IBES. Asia Pacific ex-Japan, EM, Europe and U.S. equity indices used are the MSCI Asia Pacific ex-Japan, MSCI Emerging Markets, MSCI Europe and S&P 500, respectively. Consensus estimates used are calendar year estimates from IBES. Past performance is not a reliable indicator of current and future results.
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Equities

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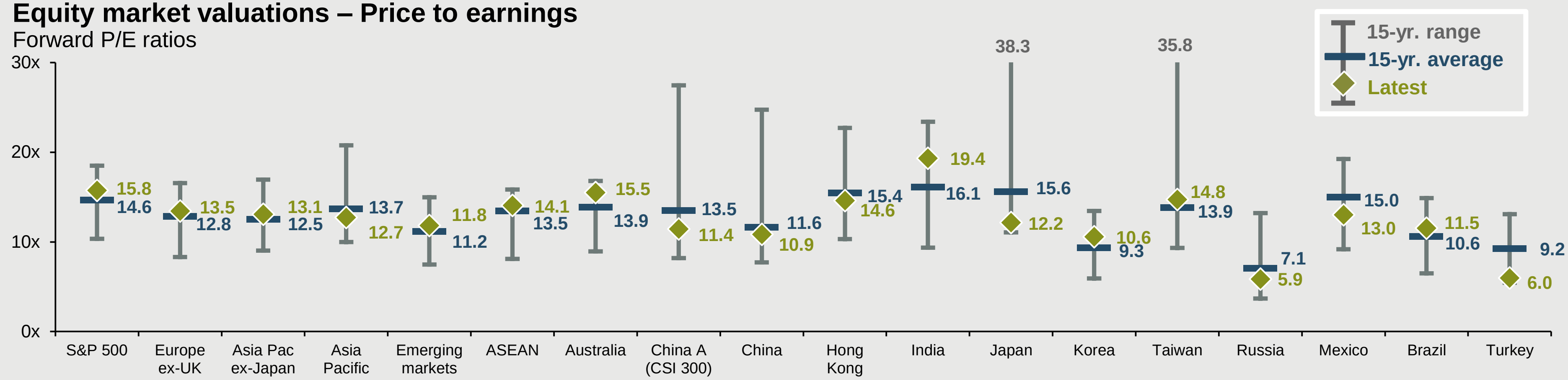
Equities

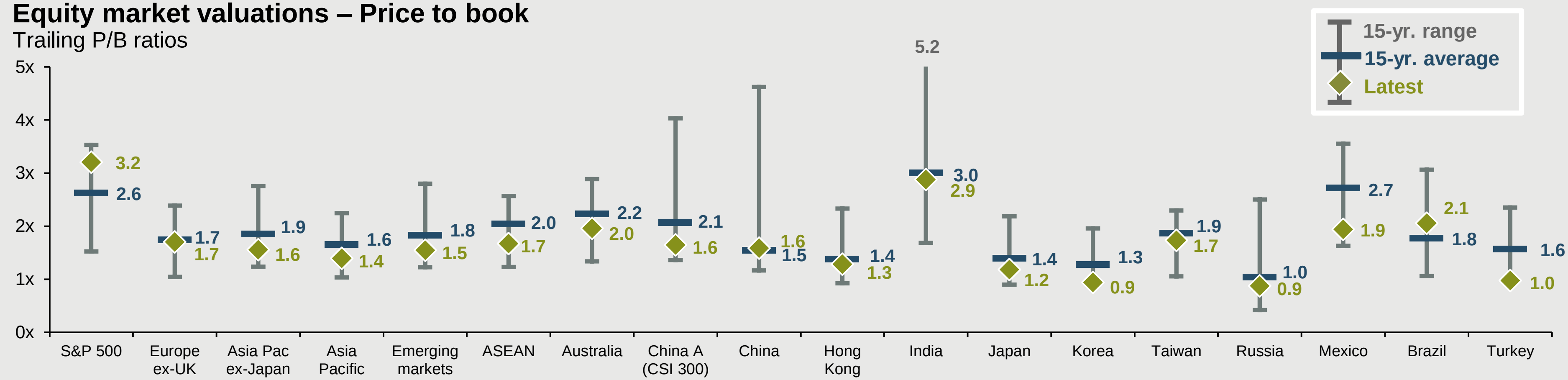
Equity market valuations – Price to earnings

Forward P/E ratios



Equity market valuations – Price to book

Trailing P/B ratios



Source: Bloomberg Finance L.P., China Securities Index, FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management.
Price-to-earnings (P/E) and price-to-book (P/B) ratios are in local currency terms. China A valuations based on the CSI 300 Index and use 10 years of data due to availability. China valuation is based on the MSCI China. 15-year range for P/E and P/B ratios are cut off to maintain a more reasonable scale for some indices.
Past performance is not a reliable indicator of current and future results.
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Global fixed income: Yields and returns

Global bond opportunities

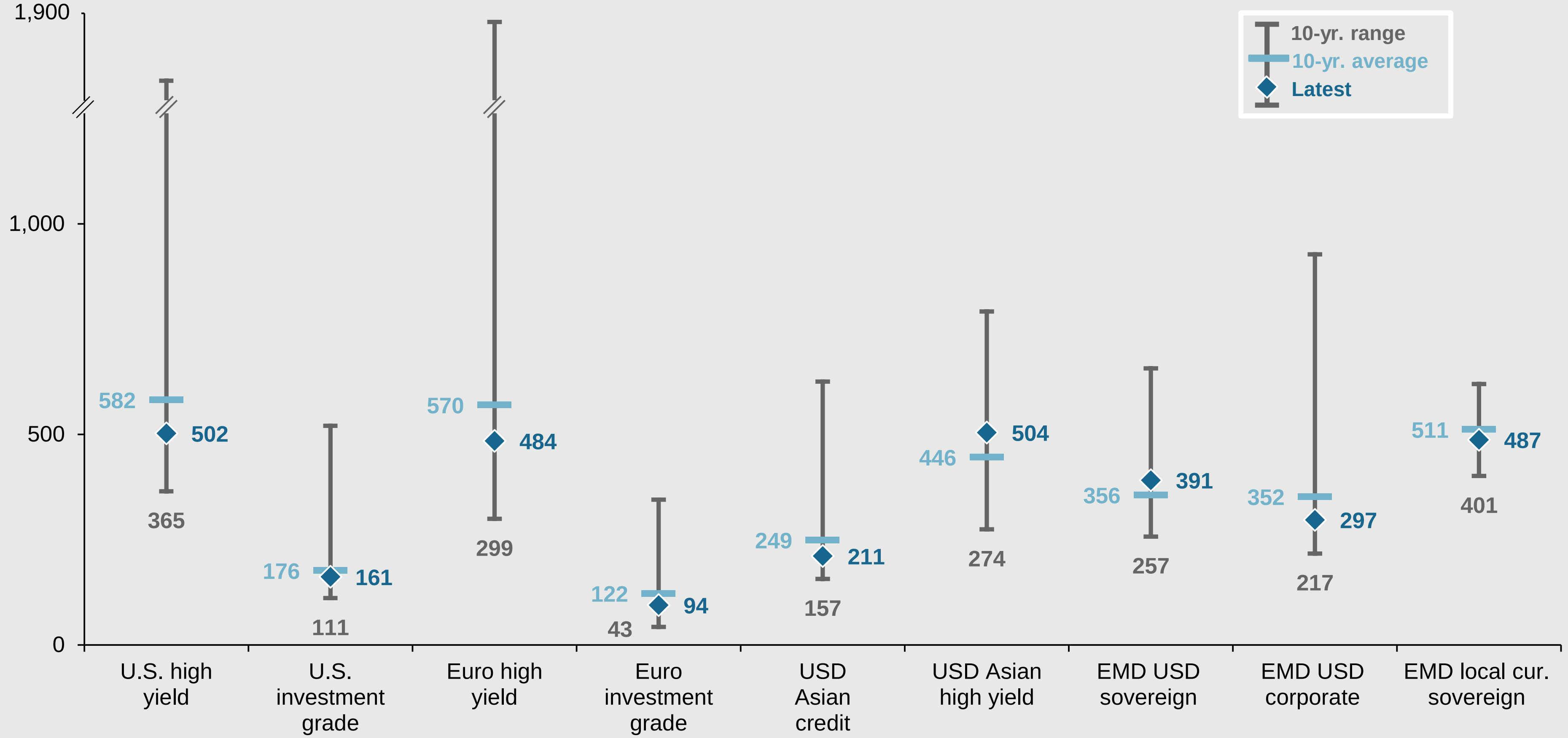
Sector	YTM	Duration* (years)	Correl. to MSCI AC World**	Correl. to 10-year UST
Asia HY	7.6%	4.4	0.68	-0.14
Local EMD	6.8%	4.6	0.64	0.00
U.S. HY	6.8%	3.5	0.80	-0.19
USD EMD	6.1%	7.1	0.57	0.25
USD Asian	4.8%	5.3	0.53	0.32
Europe HY	4.3%	3.3	0.79	-0.27
U.S. IG	3.4%	7.5	0.25	0.61
Cash	2.3%	0.2	-0.05	0.04
U.S. Treasury	2.1%	6.4	-0.38	0.99
DM Gov't	1.2%	8.2	0.16	0.59

Fixed income sector returns

2014	2015	2016	2017	2018	1Q '19	YTD	5-yrs Ann. Ret.
USD Asian 8.3%	Asia HY 5.8%	U.S. HY 17.1%	Europe HY 21.0%	Cash 1.8%	Asia HY 7.9%	Asia HY 8.5%	Asia HY 5.9%
U.S. IG 7.5%	USD Asian 2.8%	Local EMD 11.4%	Local EMD 15.4%	U.S. Treas 0.9%	U.S. HY 7.3%	U.S. HY 7.5%	USD Asian 4.5%
Asia HY 5.5%	USD EMD 1.2%	Asia HY 11.4%	USD EMD 9.3%	DM Gov't -0.7%	USD EMD 6.6%	USD EMD 7.3%	U.S. HY 4.4%
USD EMD 5.5%	U.S. Treas 0.8%	USD EMD 10.2%	U.S. HY 7.5%	USD Asian -0.8%	U.S. IG 5.1%	U.S. IG 7.2%	USD EMD 4.0%
U.S. Treas 5.1%	Cash 0.0%	U.S. IG 6.1%	DM Gov't 6.8%	U.S. HY -2.1%	USD Asian 4.9%	USD Asian 6.3%	U.S. IG 3.6%
U.S. HY 2.5%	U.S. IG -0.7%	USD Asian 5.8%	U.S. IG 6.4%	U.S. IG -2.5%	Europe HY 3.8%	U.S. Treas 4.2%	U.S. Treas 2.3%
DM Gov't 0.7%	DM Gov't -2.6%	Europe HY 3.4%	Asia HY 6.2%	Asia HY -3.2%	Local EMD 2.4%	Local EMD 3.2%	DM Gov't 0.9%
Cash 0.0%	U.S. HY -4.5%	DM Gov't 1.6%	USD Asian 5.8%	USD EMD -4.6%	U.S. Treas 2.1%	DM Gov't 3.2%	Cash 0.8%
Europe HY -6.0%	Europe HY -7.6%	U.S. Treas 1.0%	U.S. Treas 2.3%	Local EMD -6.7%	DM Gov't 1.8%	Europe HY 2.8%	Europe HY -0.3%
Local EMD -6.1%	Local EMD -18.0%	Cash 0.3%	Cash 0.8%	Europe HY -8.2%	Cash 0.6%	Cash 1.0%	Local EMD -2.1%

Source: Bloomberg Finance L.P., FactSet, J.P. Morgan Economic Research, J.P. Morgan Asset Management. Based on Bloomberg Barclays U.S. Aggregate Credit – Corporate High Yield Index (*U.S. Corporate HY*), Bloomberg Barclays U.S. Aggregate Credit – Corporate Investment Grade Index (*U.S. Corporate IG*), J.P. Morgan Government Bond Index – EM Global (GBI-EM) (*Local EMD*), J.P. Morgan Emerging Market Bond Index Global (EMBIG) (*USD EMD*), J.P. Morgan Asia Credit Index (JACI) (*USD Asian Bond*), Bloomberg Barclays Pan European High Yield (*Europe HY*), J.P. Morgan Government Bond Index – Global Traded (*DM Government Bond*), J.P. Morgan Asia Credit Non-investment Grade Corporate Index (*Asia Corporate HY*), Bloomberg Barclays Global U.S. Treasury – Bills (3-5 years) (*U.S. Treasury*) and Bloomberg Barclays U.S. Treasury – Bills (1-3 months) (*Cash*). 5-year data is used to calculate annualized returns (Ann. Ret.). Returns are in U.S. dollar and reflect the period from 31/05/14 – 31/05/19. *Duration is a measure of the sensitivity of the price (the value of the principal) of a fixed-income investment to a change in interest rates and is expressed as number of years. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices. **Correlation to the MSCI AC World Index is a measure over 10 years of data. Positive yield does not imply positive return. Past performance is not a reliable indicator of current and future results.
Guide to the Markets – Asia. Data reflect most recently available as of 31/05/19.

Spread to worst across fixed income sub-sectors
Basis points



Source: BofA/Merrill Lynch, iBoxx, J.P. Morgan Economic Research, J.P. Morgan Asset Management.
Based on J.P. Morgan Domestic High Yield Index (*U.S. High Yield*), J.P. Morgan U.S. Liquid Index (JULI) (*U.S. Investment Grade*), BofA/Merrill Lynch Euro Non-Financial High Yield Constrained Index (*Euro High Yield*), iBoxx EUR corporates (*Euro Investment Grade)*, J.P. Morgan Asia Credit Index (JACI) *(USD Asian Credit*), J.P. Morgan Asia Credit High Yield Index *(USD Asian High Yield*), J.P. Morgan EMBI Global (*EMD USD Sovereign*), J.P. Morgan Corporate Emerging Markets Bond Index – CEMBI (*EMD USD Corporate*), J.P. Morgan GBI-EM *(EMD Local Cur. Sovereign)*. Positive yield does not imply positive return. Past performance is not a reliable indicator of current and future results.
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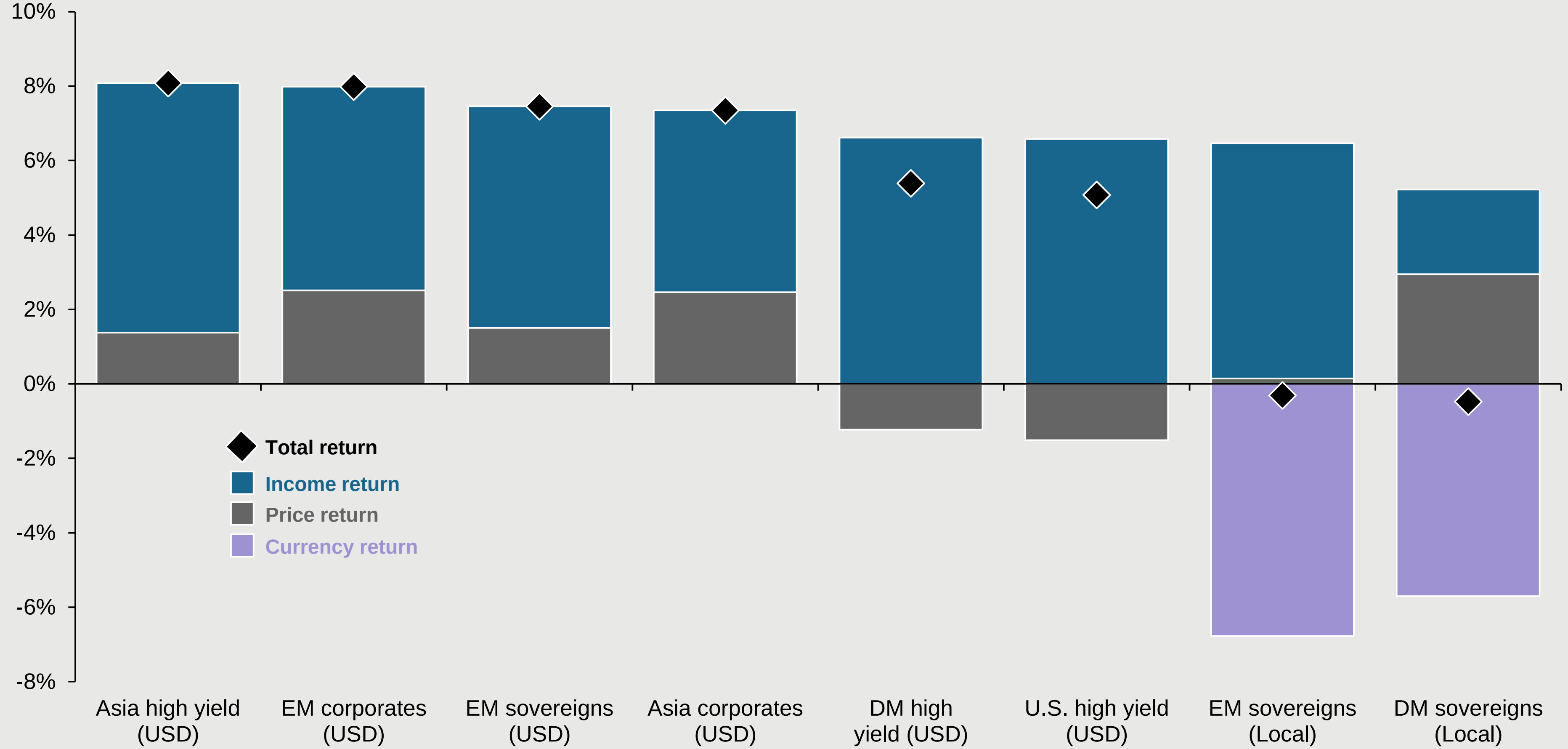
J.P.Morgan
Asset Management

Fixed income

Debt return composition

Last 12 months



Source: J.P. Morgan Economic Research, J.P. Morgan Asset Management.
Based on J.P. Morgan Developed Market HY Index (*DM USD high yield*), J.P. Morgan Domestic High Yield Index (*U.S. USD high yield*), J.P. Morgan EMBIG (*EM USD sovereigns*), J.P. Morgan CEMBI (*EM USD corporates*), J.P. Morgan Asia Credit High Yield Index (*Asian USD high yield*), J.P. Morgan GBI-EM (*EM local cur. sovereigns*), J.P. Morgan Asia Credit Corporates Index (*Asian USD corporates*), J.P. Morgan GBI-DM (*DM local cur. sovereigns*). Past performance is not a reliable indicator of current and future results.
Guide to the Markets – Asia. Data reflect most recently available as of 31/05/19.

J.P.Morgan Asset Management

Asset class returns

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	1Q '19	YTD '19	10-yrs ('09 - '19) Ann. Ret.	10-yrs ('09 - '19) Ann. Vol.
EM ex-Asia 91.3%	U.S. REITs 28.5%	U.S. REITs 8.7%	APAC ex-JP 22.6%	DM Equities 27.4%	U.S. REITs 30.4%	Asian Bonds 2.8%	EM ex-Asia 27.1%	APAC ex-JP 37.3%	Cash 1.8%	U.S. REITs 16.3%	U.S. REITs 16.3%	U.S. REITs 15.0%	EM ex-Asia 21.5%
APAC ex-JP 73.7%	APAC ex-JP 18.4%	EMD 8.5%	Global Corp HY 18.9%	Global Corp HY 8.4%	Asian Bonds 8.3%	U.S. REITs 2.5%	Global Corp HY 14.0%	DM Equities 23.1%	Asian Bonds -0.8%	DM Equities 12.6%	DM Equities 10.1%	DM Equities 10.6%	APAC ex-JP 16.8%
Global Corp HY 63.9%	EM ex-Asia 16.6%	Global Bonds 5.6%	EMD 18.5%	Diversified 5.6%	EMD 5.5%	EMD 1.2%	EMD 10.2%	EM ex-Asia 20.3%	Global Bonds -1.2%	APAC ex-JP 11.5%	EM ex-Asia 7.5%	Global Corp HY 8.9%	U.S. REITs 16.5%
Diversified 41.0%	Global Corp HY 13.8%	Asian Bonds 4.1%	U.S. REITs 17.8%	APAC ex-JP 3.7%	DM Equities 5.5%	Cash 0.0%	U.S. REITs 8.6%	Diversified 17.0%	Global Corp HY -3.5%	Diversified 8.3%	EMD 7.3%	Diversified 7.9%	DM Equities 13.2%
DM Equities 30.8%	Diversified 13.1%	Global Corp HY 2.6%	EM ex-Asia 17.0%	U.S. REITs 2.5%	Diversified 4.1%	DM Equities -0.3%	Diversified 8.3%	Global Corp HY 10.3%	U.S. REITs -4.6%	EM ex-Asia 7.1%	Diversified 7.0%	APAC ex-JP 7.7%	Diversified 9.0%
U.S. REITs 28.6%	DM Equities 12.3%	Cash 0.1%	DM Equities 16.5%	Cash 0.0%	APAC ex-JP 3.1%	Global Bonds -3.2%	DM Equities 8.2%	EMD 9.3%	EMD -4.6%	EMD 6.6%	Global Corp HY 6.4%	EMD 7.2%	Global Corp HY 7.4%
Asian Bonds 28.3%	EMD 12.0%	Diversified -2.4%	Diversified 15.9%	Asian Bonds -1.4%	Global Bonds 0.6%	Diversified -3.2%	APAC ex-JP 7.1%	Global Bonds 7.4%	Diversified -5.9%	Global Corp HY 6.4%	Asian Bonds 6.3%	Asian Bonds 6.7%	EMD 6.6%
EMD 28.2%	Asian Bonds 10.6%	DM Equities -5.0%	Asian Bonds 14.3%	Global Bonds -2.6%	Global Corp HY 0.2%	Global Corp HY -4.9%	Asian Bonds 5.8%	Asian Bonds 5.8%	EM ex-Asia -6.8%	Asian Bonds 4.9%	APAC ex-JP 5.6%	Global Bonds 2.7%	Global Bonds 4.8%
Global Bonds 6.9%	Global Bonds 5.5%	APAC ex-JP -15.4%	Global Bonds 4.3%	EMD -6.6%	Cash 0.0%	APAC ex-JP -9.1%	Global Bonds 2.1%	U.S. REITs 5.1%	DM Equities -8.2%	Global Bonds 2.2%	Global Bonds 3.3%	EM ex-Asia 2.0%	Asian Bonds 4.3%
Cash 0.1%	Cash 0.1%	EM ex-Asia -21.2%	Cash 0.1%	EM ex-Asia -8.5%	EM ex-Asia -20.2%	EM ex-Asia -22.7%	Cash 0.3%	Cash 0.8%	APAC ex-JP -13.7%	Cash 0.6%	Cash 1.0%	Cash 0.4%	Cash 0.2%

Source: Bloomberg Finance L.P., Dow Jones, FactSet, J.P. Morgan Economic Research, MSCI, J.P. Morgan Asset Management.
The "Diversified" portfolio assumes the following weights: 20% in the MSCI The World Index (*DM Equities*), 20% in the MSCI AC Asia Pacific ex-Japan (*APAC ex-JP*), 5% in the average of the MSCI EM Latin America and MSCI EM EMEA Indices (*EM ex-Asia*), 10% in the J.P. Morgan EMBIG Index (*EMD*), 10% in the Bloomberg Barclays Aggregate (*Global Bonds*), 10% in the Bloomberg Barclays Global Corporate High Yield Index (*Global Corporate High Yield*), 15% in J.P. Morgan Asia Credit Index (*Asian Bonds*), 5% in MSCI U.S. REITs Index (*U.S. REITs*) and 5% in Bloomberg Barclays U.S. Treasury – Bills (1-3 months) (*Cash*). Diversified portfolio assumes annual rebalancing. All data represent total return in U.S. dollar terms for the stated period. 10-year total return data is used to calculate annualized returns (Ann. Ret.) and 10-year price return data is used to calculate annualized volatility (Ann. Vol.) and reflects the period 31/05/09 – 31/05/19. Please see disclosure page at end for index definitions. Past performance is not a reliable indicator of current and future results.
Guide to the Markets – Asia. Data reflect most recently available as of 31/05/19.

Monthly Market Review

Asia Pacific | June 2019

The Market Insights program provides comprehensive data and commentary on global markets without reference to products. Designed as a tool to help clients understand the markets and support investment decision-making, the program explores the implications of current economic data and changing market conditions.

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