Monthly Market Review

February 2022

Author

Tai Hui
Chief Market Strategist,
Asia Pacific

The Fed going hiking

In brief

- Volatility could continue until investors have a clearer picture of when the Federal Reserve's rate hike cycle would end
- While China continues to ease its policies, rising tensions between Russia and Ukraine have added an extra layer of uncertainty on growth and inflation outlook
- For investors, diversification remains key. Value and cyclicals look to be in a good position, while growth and policy prospects have improved for Asian economies

With gyms and most sports facilities closed in Hong Kong because of the latest wave of COVID-19, I have no choice but to run outdoors or go hiking again. A route that I usually take brings me to a nearby hilltop close to my home. If I am in a rush that day, I might jog or run up the hill, which takes more effort. For the days when I don't feel 100%, I would just walk up and enjoy the scenery a bit. Under both scenarios, I know the route and I have an innate gauge of how far I need to run or walk to reach the peak. However, my body would react differently if I took a different route with a higher peak or a steeper slope.

Investors have had a challenging start to 2022. The Federal Reserve (the Fed) has turned decidedly more hawkish in the last three months in response to multi-decade high inflation. Growth momentum is temporarily impacted by the Omicron outbreak. There are concerns that China's zero tolerance strategy may not be able to keep out this more contagious variant, which could lead to production and global supply chain disruptions. Geopolitics in Central and Eastern Europe is also adding pressure to global energy prices.

How high and how fast?

As the Fed adjusts its monetary policy normalization strategy, investors are also adjusting their expectations. In the January Federal Open Market Committee meeting, Fed Chair Jerome Powell and Co. effectively told the market that the next meeting in March is very likely to be the start of the rate hike cycle. Meanwhile, he refused to rule out the possibility that rate hikes could come more frequently than once a quarter or be limited to only 25bps per hike. The Fed has also laid out the principles for reducing its balance sheet, which we think could start to take place this summer.

The Fed's hawkish stance is understandable given the current elevated inflation, tight labor market and the red-hot housing market. The prospects of higher interest rates have pushed U.S. Treasury yields higher as expected. It has also pressured more expensive segments of the equity market. The U.S. tech sector has been at the forefront of this sell off, with the NASDAQ index down 12% in January.

While the Fed is looking to accelerate the pace of policy tightening, one key question is whether the peak of policy rate is the same? Referencing my hiking analogy, if the peak of the mountain is the same, getting up faster could be more painful in the near term, but it would be manageable in the longer run. However, if the peak is going to be much higher than anticipated, then the market could still price in more pain going forward.

In the December Summary of Economic Projection, the end 2024 policy rate forecast median was at 2.1%, versus 2.5% for the longer run and 1.8% in the September forecast. This would imply that monetary policy will stay accommodative over the next two to three years. Yet, the attitude of the Fed has continuously turned more hawkish in recent weeks. If this hawkish shift were to continue, not only would the Fed reach a 2% policy rate faster, but the possibility of a higher-than-expected terminal rate above long-term projection of 2.5% will increase. Until investors have a clearer idea of where this rate hike cycle will end, volatility could continue for some time as the discount rate used to establish the fair value in various assets adjusts to a new equilibrium point. This is likely to be a dominant factor driving market sentiment lower despite another solid quarter of earnings results in the U.S.

China continues to ease its policies, while Europe faces geopolitical tensions

As the Fed and other developed market central banks push for tighter monetary policy, China is moving in the opposite direction. The 4% year-on-year (y/y) 4Q 2021 GDP growth confirmed the economic deceleration brought by property price control measures and tepid household consumption. As a result, the People's Bank of China has cut a number of policy rates by a very modest amount (in steps of 5-10bps) since December to stabilize economic momentum. We expect more fiscal and monetary support to be deployed this year in order to lift economic growth back toward a region of around 5% to 5.5%, although much of the regulatory reform momentum will likely stay intact.

In addition to the pandemic and inflation, geopolitical tension have also climbed up on many investors' worry lists. Potential military confrontation between Russia and Ukraine and the threat of economic sanctions on Russia could have a material impact on the global energy market and the European economy. Russia makes up about 11% of global oil production and 16% of global natural gas production. It is the largest supplier of crude oil to the European Union, making up 27% of the union's imports. Europe has already suffered a surge in natural gas prices in late 2021 due to supply disruptions from Russia. The latest round of tensions and seasonal demand have pushed Brent crude prices up towards USD 90 per barrel. While higher energy prices would be inflationary, central banks could worry more about the potential for rising fuel costs to be a lag on growth, complicating their policy normalization.

Investment implication

As investors try to work out how far the Fed could raise interest rates, this guessing game could keep equities volatile for some time. Geopolitical tensions in Europe could also add to this anxiety. That said, the constructive outlook on the global economic momentum in the medium to long term could drive healthy earnings growth for companies.

We reiterate the importance of staying internationally diversified within the equities space in order to capture the benefits of varying recovery phases across different economic regions. From a regional perspective, relatively cheaper valuations in Asia and China, and the prospects of a stronger growth rebound in Asia and monetary easing in China, provides a constructive backdrop for the region compared to the past 12 to 18 months. From a style aspect, we still think that value and cyclical sectors are in a strong position to capture the upcoming bout of economic recovery in coming months.

Active management and finesse are needed for fixed income investors to navigate the more hawkish stance of the Fed and other developed market central banks. High yield and short duration are still the most appropriate starting plays when planning for the fixed income segment of asset allocation. Emerging market (EM) currencies typically experience more volatility when the Fed raises interest rates. The good news for **emerging markets** is that many of them have already hiked policy rates steadily to temper inflation and as a precaution to currency risks. This should relieve some of the pressure when the U.S. rate hike cycle eventually gets underway. Many EM currencies, especially outside of Asia, are also undervalued, providing some buffer.

Global economy:

- U.S. 4Q 2021 GDP rose 6.9% on an annualized basis. December inflation was high, as headline PCE rose 5.8% y/y given new disruptions from Omicron-related supply chain disruptions and the ongoing labor shortage. The January unemployment rate rose to 4.0% but non-farm payrolls showed strong job gains. Labor market conditions remain tight as the participation rate continues to be at 1.2% below pre-pandemic levels, while quit rates and job vacancies remain elevated. Hourly earnings grew at 5.7% y/y, accelerating on a sequential basis. (GTMA P. 25, 26)
- China 4Q 2021 GDP rose 4.0% y/y. That said, December economic data was mixed. Data saw solid growth in industrial production and trade activity, but still tepid retail sales and slowly improving fixed asset investments (FAIs). Retail sales continue to disappoint on the back of weak consumer sentiment and stringent social distancing ahead of the Winter Olympics. FAI growth stabilized but real estate investments continue to be weak, while manufacturing FAI outperformed as a result of export strength. (GTMA P. 6, 7)
- The Bank of England hiked rates by 25bps to 0.50%. Other notable hikes took place in South Korea, South Africa and Chile. The European Central Bank also adopted a more hawkish tone in its January meeting. Policy easing continues in China, with a 10-bps cut to the 1-year loan prime rate (LPR) to 3.7% and a 5-bps cut to the 5-year LPR to 4.6%. (GTMA P. 18)

Equities:

- Equity returns were broadly negative in January due to expectations of a more acute tightening by the Fed, escalating geopolitical tensions and rising yields, which disproportionately impacted high-duration growth stocks. Value outperformed Growth, with MSCI Value falling 1.2% but still significantly outperforming MSCI Growth (-8.2%).
- Emerging markets outperformed developed markets by more than 3.4%. MSCI LatAm started the year strongly, rising 7.3%, led by an outperformance in the Financials and Energy sectors. MSCI Europe was down 3.2% but performance surpassed both MSCI U.S. (-5.7%) and MSCI AC Asia Pacific (-3.8%) given the value tilt of European indices. (GTMA P. 31)

Fixed income:

- DM sovereign bond yields drifted higher in January, fully reversing the decline from the Omicron scare. U.S. Treasury yield curves steepened but flattened moderately toward the latter end of the month. The short end rose sharply as the Fed all but confirmed a March lift-off in rates, while long-end yields picked up as U.S. Treasuries sold off. 2-year Treasury yields rose 44bps, while 10-year yields rose around 27bps. Expectations around central bank actions will be the more critical driver of developed market rates going forward, with declining beta to pandemic news. (GTMA P. 29)
- Fixed income returned negatively in January as rising government bond yields, widening credit spreads and ongoing uncertainty over the monetary policy path continue to fuel risk-off sentiment. U.S. corporate bonds fell 3.4% as interest rate premiums rose. U.S. Treasuries also fell 1.9%. China High Yield (HY) underperformed significantly, falling 6.9%, driven by heavy redemption of USD bonds issued by China property HY (high yield) companies. Around 40% of January 2022 maturing China property HY bonds were exchanged, while 15% defaulted. (GTMA P. 51)

Other assets:

- An increasingly hawkish Fed led to U.S. dollar index strength, rising by 0.9%. Rate hikes saw a number EM currencies outperform. Notably, the Chilean peso, Brazilian real and South African rand gained 6.4%, 5.0%, and 3.7%, respectively. On the opposite end of the spectrum, the biggest losers were the Russian ruble (RUB) and the Australian dollar (AUD). RUB declined 2.9% as a result of escalating geopolitical tensions and AUD fell 2.7% as the Reserve Bank of Australia continues to predicate more patience on policy normalization. (GTMA P. 69)
- Commodity prices were heavily affected by Russia-Ukraine tensions given Russia's oil production capabilities and its role as a major producer of base metals. Brent oil ended the month at USD 91 per barrel, up 17.5%. The S&P Industrial metals index was up 2.5%, driven by a rise in iron ore and nickel prices, though this was offset by a fall in steel prices. Hawkish messaging by the Fed saw S&P Gold prices fall 1.8%. (GTMA P. 71–73)

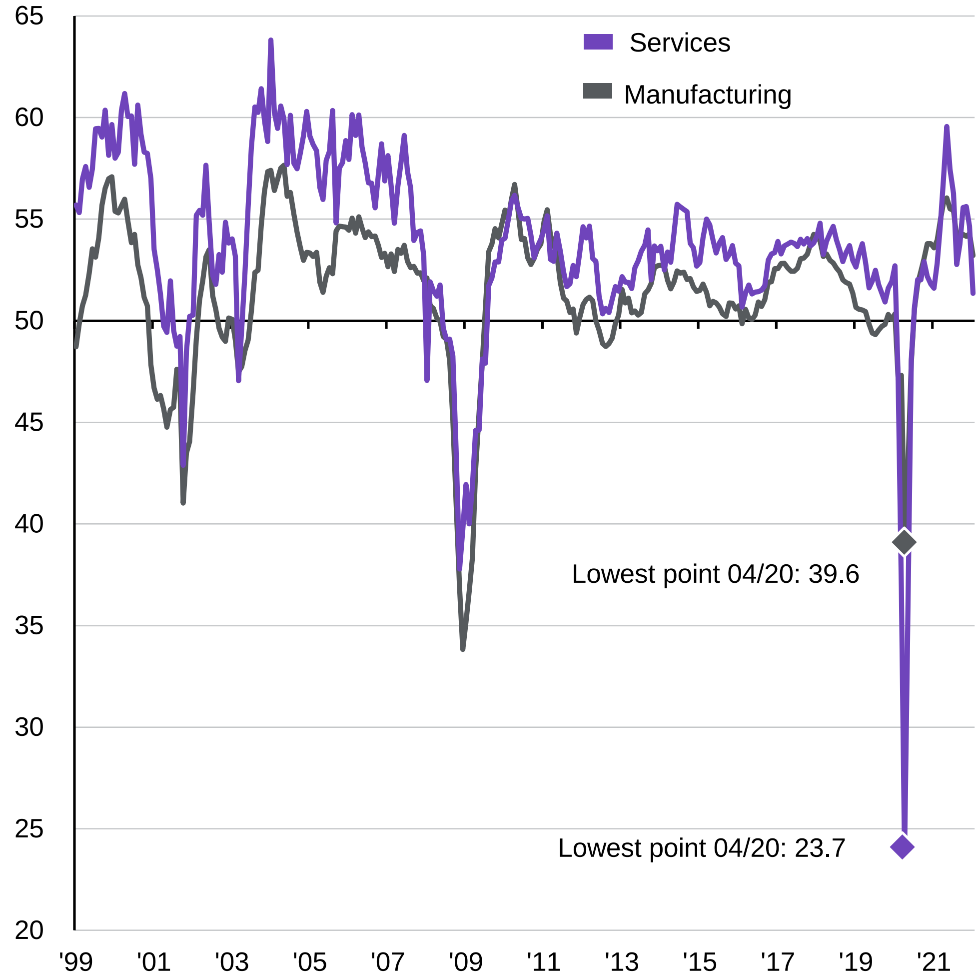
Global economy

Global Purchasing Managers' Index (PMI)

GTM | ASIA | 13

Global manufacturing and services PMI

Index



Global manufacturing PMI breakdown

	Feb '21	Mar '21	Apr '21	May '21	Jun '21	Jul '21	Aug '21	Sep '21	Oct '21	Nov '21	Dec '21	Jan '22
Global											54.3	53.2
DM*											56.6	56.3
EM**											51.7	50.0
U.S. (Markit)											57.7	55.5
U.S. (ISM)											58.8	57.6
Eurozone											58.0	58.7
Germany											57.4	59.8
France											55.6	55.5
Italy											62.0	58.3
Spain											56.2	56.2
UK											57.9	57.3
Australia											57.7	55.1
Japan											54.3	55.4
China (Markit)											50.9	49.1
China (NBS)											50.3	50.1
Korea											51.9	52.8
Taiwan											55.5	55.1
Indonesia											53.5	53.7
India											55.5	54.0
Russia											51.6	51.8
Brazil											49.8	47.8
Mexico											49.4	46.1
# markets above 50	15	15	15	15	13	13	12	13	15	13	14	13

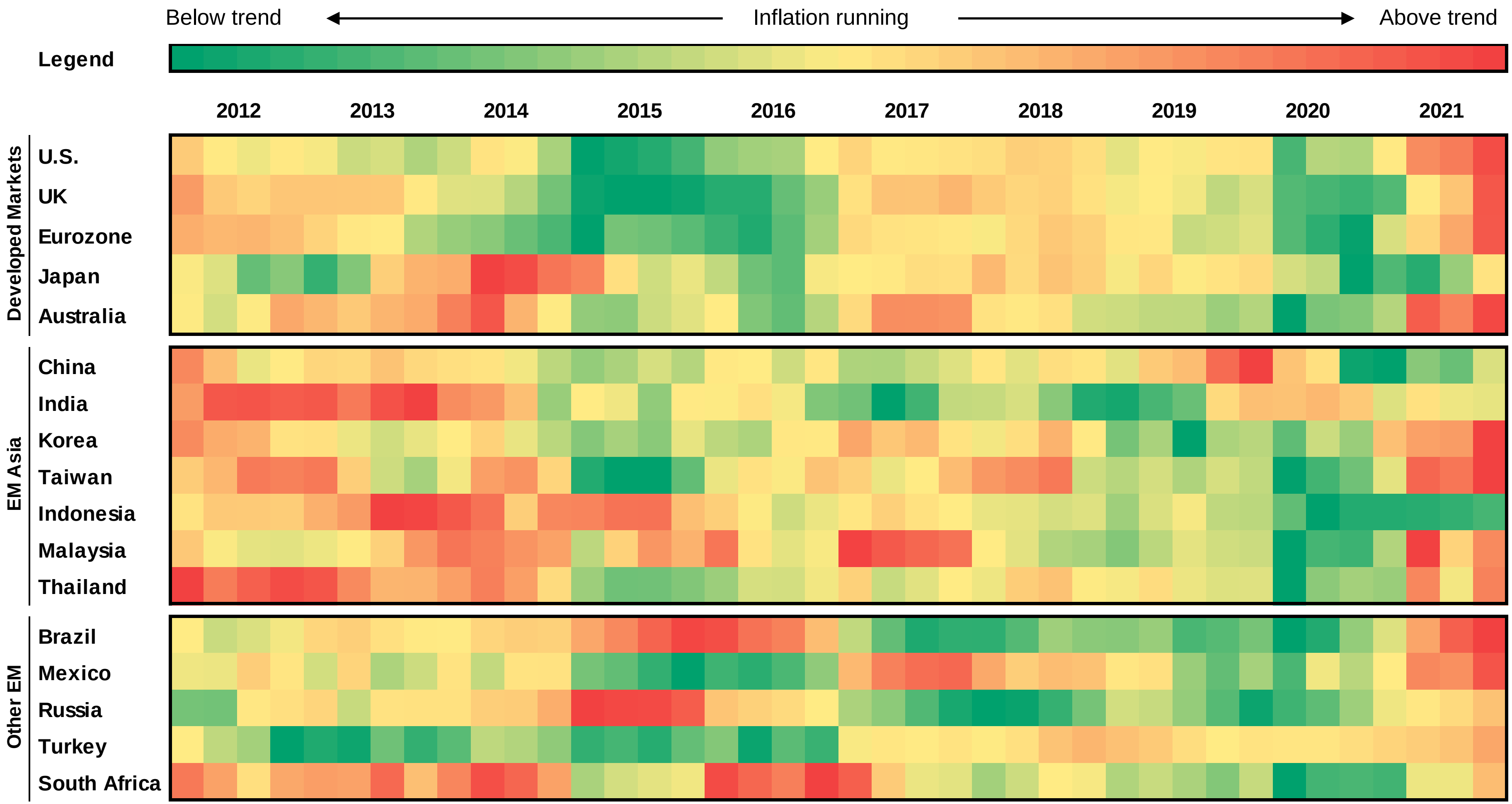
Source: Australian Industry Group, Institute for Supply Management, J.P. Morgan Economic Research, Markit, J.P. Morgan Asset Management.
PMIs are relative to 50, which indicates deceleration (below 50) or acceleration (above 50) of the sector. Heatmap colors are based on PMI relative to the 50 level, with green (red) corresponding to acceleration (deceleration). *Developed market includes Australia, Canada, Denmark, eurozone, Japan, New Zealand, Norway, Sweden, Switzerland, UK and the 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.
Guide to the Markets – Asia. Data reflect most recently available as of 07/02/22.

J.P.Morgan
ASSET MANAGEMENT

Global inflation

Headline consumer prices

Year-over-year change, quarterly



	Dec	Jan
U.S.	7.1%	-
UK	5.4%	-
Eurozone	5.0%	5.1%
Japan	0.8%	-
Australia	2.8%	3.0%
China	1.5%	-
India	5.6%	-
Korea	3.7%	-
Taiwan	2.4%	-
Indonesia	1.9%	2.2%
Malaysia	3.2%	-
Thailand	2.2%	3.2%
Brazil	10.1%	-
Mexico	7.4%	-
Russia	8.4%	-
Turkey	36.1%	48.7%
South Africa	5.9%	-

Source: Department of Statistics Malaysia, DGBAS, Eurostat, FactSet, Goskomstat of Russia, IBGE, India Ministry of Statistics & Programme Implementation, INEGI, J.P. Morgan Economics Research, Korean National Statistical Office, Melbourne Institute, Ministry of Commerce Thailand, Ministry of Internal Affairs & Communications Japan, National Bureau of Statistics China, Office for National Statistics UK, Statistics Indonesia, Statistics Institute Turkey, Statistics South Africa, U.S. Department of Labor, J.P. Morgan Asset Management. Quarterly averages, with the exception of the two most recent figures, which are single month readings, are shown. Colors are based on z-score of year-over-year inflation rate relative to each market's own 10-year history where red (green) indicates inflation above (below) long-run trend. EM represents emerging markets.

Guide to the Markets – Asia. Data reflect most recently available as of 07/02/22.

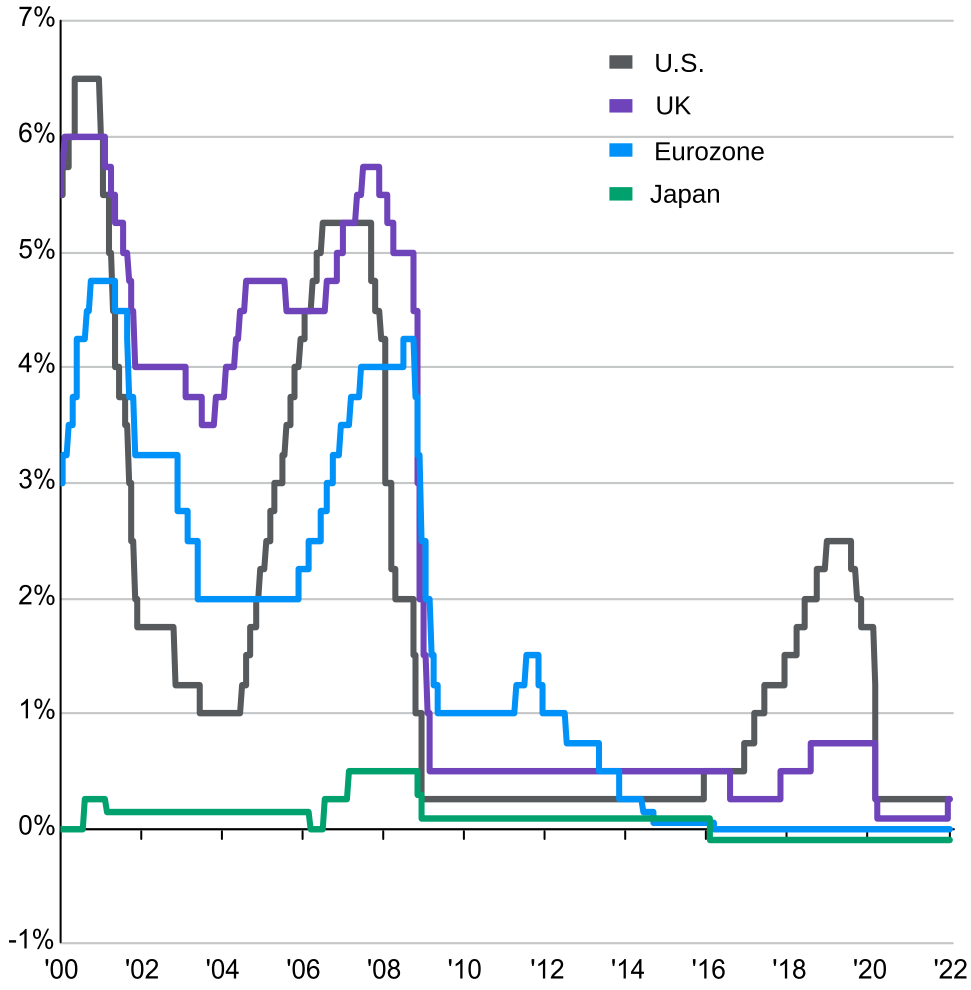
J.P.Morgan ASSET MANAGEMENT

Global economy

G4 central bank policy rates and market expectations

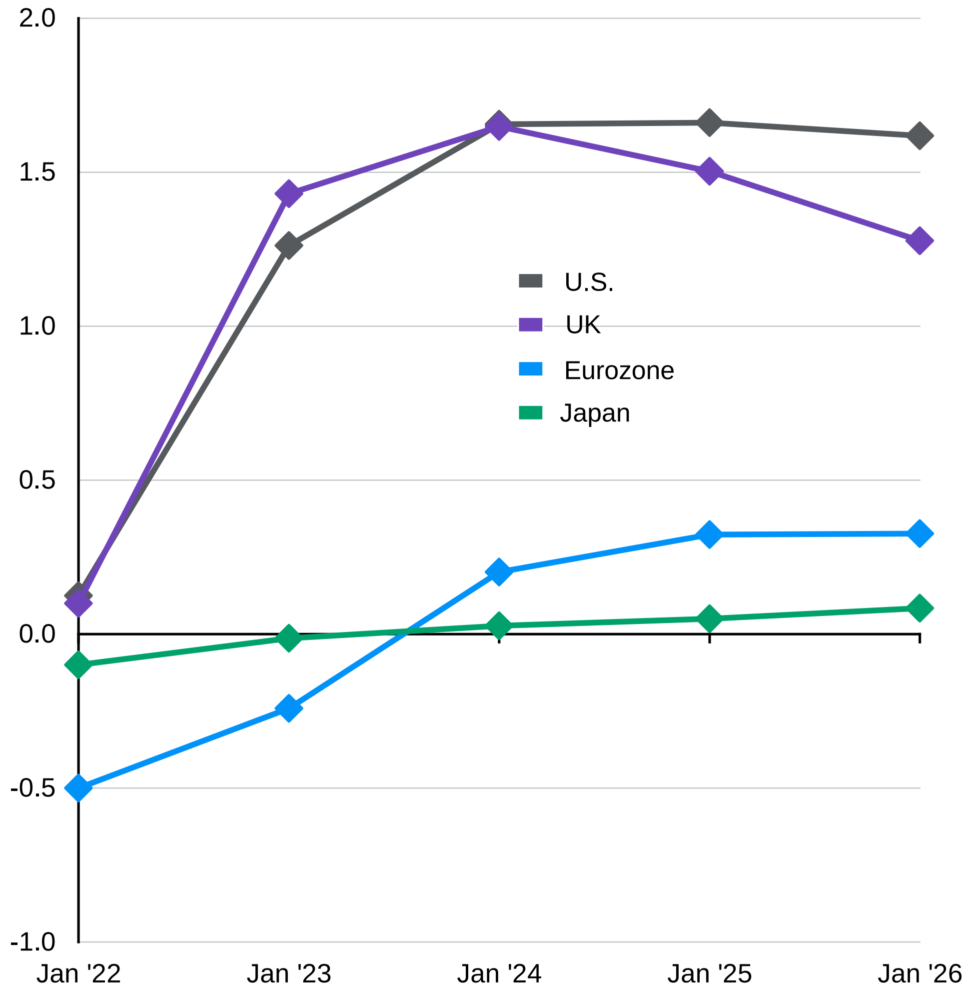
G4 central bank key policy rates

Per annum



Market expectations* for policy rates

Per annum



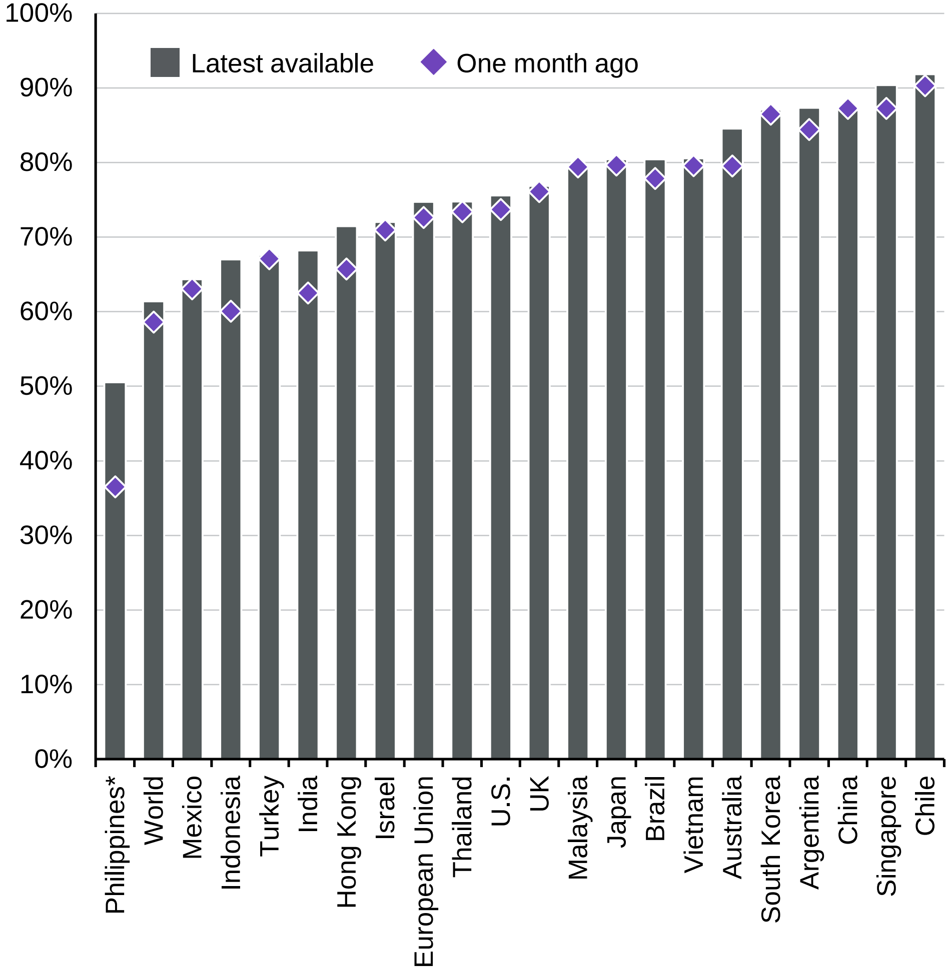
Source: J.P. Morgan Asset Management; (Left) FactSet; (Right) Bloomberg L.P.
G4 are the Bank of England, the Bank of Japan (BoJ), the European Central Bank and the U.S. Federal Reserve. *Expectations are derived from the 3-month moving average of the overnight index swap (OIS) forward rates.
Past performance is not a reliable indicator of current and future results.
Guide to the Markets – Asia. Data reflect most recently available as of 07/02/22.

J.P.Morgan ASSET MANAGEMENT

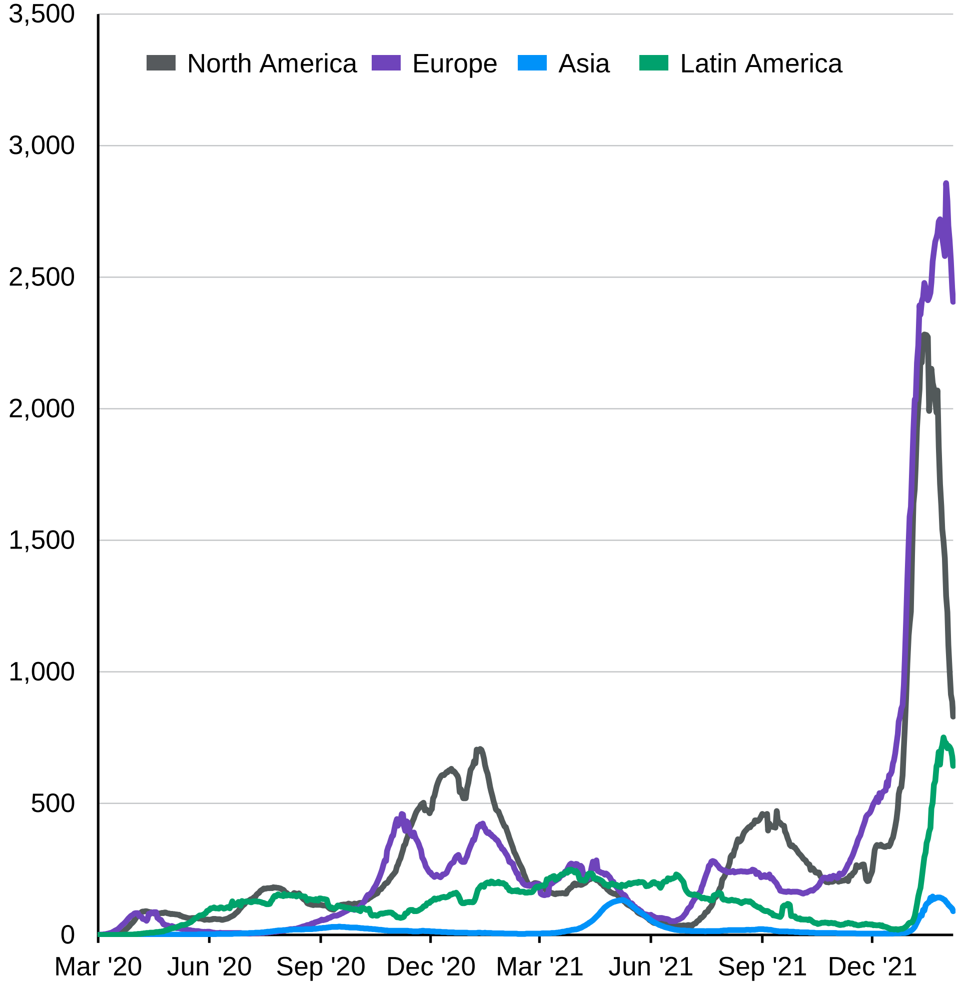
COVID-19 vaccinations and infections

Global economy

People who have received at least one dose of vaccine
% of population



Daily increase in cases (region)
7-day moving average, per million people



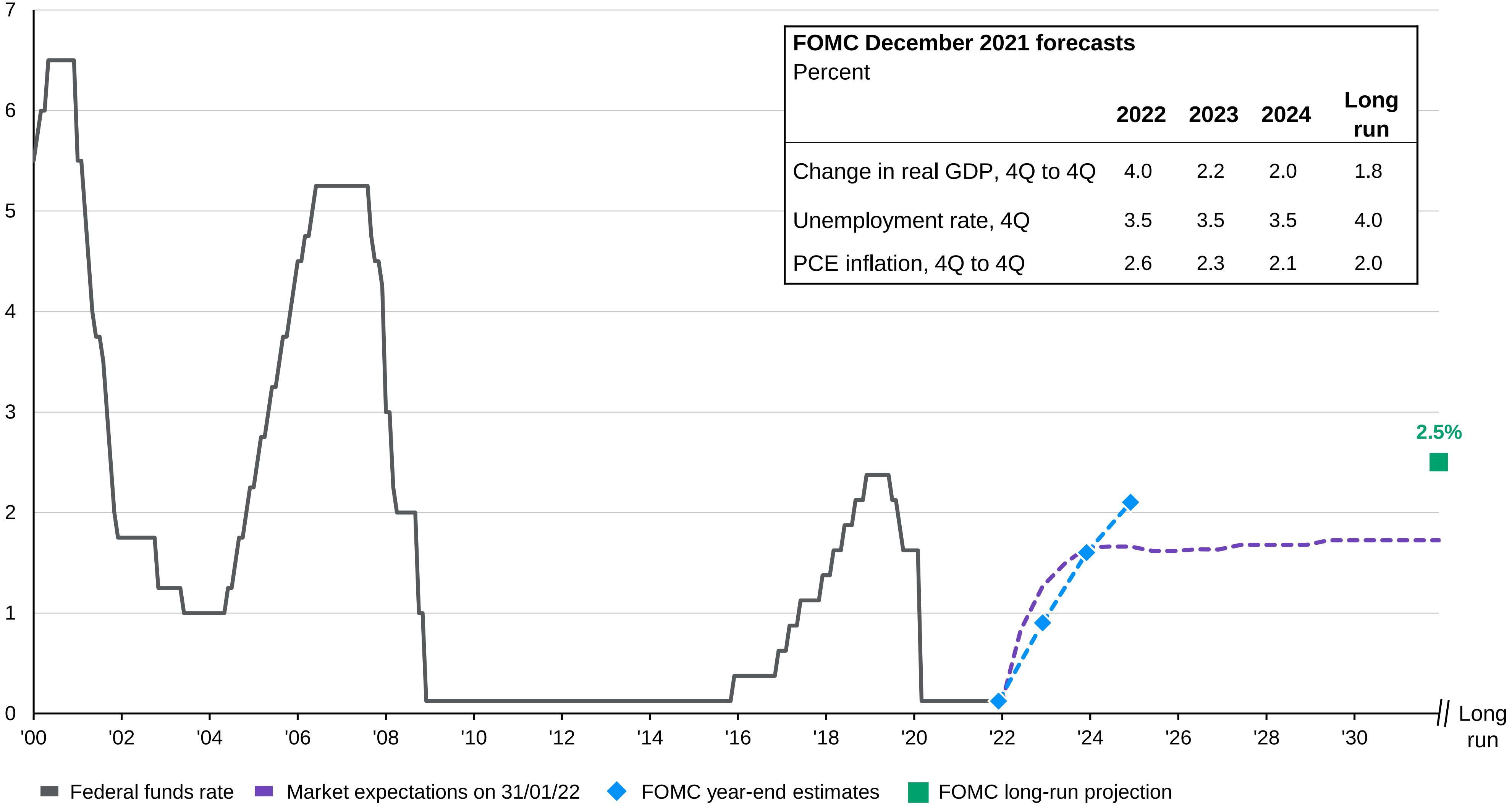
Source: J.P. Morgan Asset Management; (Left) Our World in Data; (Right) Johns Hopkins University, World Bank – World Development Indicators. North America includes U.S. and Canada; Europe includes France, Germany, Italy, Spain and UK; Asia includes Australia, China, Hong Kong, India, Japan, Singapore and South Korea; Latin America includes Brazil, Chile, Peru and Mexico. Population numbers are based on World Bank data as of 31/12/20. *For Philippines, the purple diamond shows the vaccination data from 11/11/2021 as that is the closest to one month before latest data.
Guide to the Markets – Asia. Data reflect most recently available as of 07/02/22.

J.P.Morgan
ASSET MANAGEMENT

United States: Monetary policy

Federal funds rate expectations

Market expectations for the fed funds rate



FOMC December 2021 forecasts

Percent

	2022	2023	2024	Long run
Change in real GDP, 4Q to 4Q	4.0	2.2	2.0	1.8
Unemployment rate, 4Q	3.5	3.5	3.5	4.0
PCE inflation, 4Q to 4Q	2.6	2.3	2.1	2.0

Source: Bloomberg Finance L.P., FactSet, U.S. Federal Reserve, J.P. Morgan Asset Management.
Market expectations are derived from the semi-annual data of the overnight index swap (OIS) forward rates as of 07/02/22. Federal Reserve projections shown are the median estimates of Federal Open Market Committee (FOMC) participants.
Guide to the Markets – Asia. Data reflect most recently available as of 07/02/22.

J.P.Morgan
ASSET MANAGEMENT

Equities

Global and Asia equity market returns

												10-yrs ('12 - '21)	
2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	4Q '21	YTD '22	Ann. Ret.	Ann. Vol.
India 26.0%	U.S. 32.4%	China A 52.1%	Japan 9.9%	Taiwan 19.6%	China 54.3%	U.S. -4.4%	Taiwan 37.7%	Korea 45.2%	U.S. 28.7%	U.S. 11.0%	ASEAN -0.5%	U.S. 15.4%	China A 23.8%
China 23.1%	Japan 27.3%	India 23.9%	China A 2.4%	U.S. 12.0%	Korea 47.8%	India -7.3%	China A 37.2%	Taiwan 42.0%	Taiwan 26.8%	Taiwan 8.5%	India -1.4%	Taiwan 14.8%	India 21.3%
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. 31.5%	China A 38.4%	India 26.7%	Europe 5.7%	Taiwan -2.0%	India 8.7%	Korea 19.6%
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%	Europe 24.6%	China 29.7%	Europe 17.0%	China A 3.0%	China -2.9%	China A 8.6%	China 19.6%
Korea 21.5%	Korea 4.2%	China 8.3%	India -6.1%	ASEAN 6.2%	China A 32.6%	Japan -12.6%	China 23.7%	APAC ex-JP 22.8%	Japan 2.0%	ASEAN 1.3%	APAC ex-JP -4.0%	Europe 7.8%	Taiwan 16.4%
Europe 19.9%	China 4.0%	ASEAN 6.4%	Korea -6.3%	Japan 2.7%	ASEAN 30.1%	APAC ex-JP -13.7%	Japan 20.1%	U.S. 18.4%	ASEAN 0.2%	India -0.1%	Europe -4.6%	Japan 7.6%	Europe 15.6%
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%	APAC ex-JP 19.5%	India 15.9%	China A -1.0%	Korea -0.7%	Japan -5.1%	APAC ex-JP 6.5%	ASEAN 15.5%
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%	Korea 13.1%	Japan 14.9%	APAC ex-JP -2.7%	APAC ex-JP -0.7%	U.S. -5.2%	China 6.0%	APAC ex-JP 15.4%
China A 10.9%	India -3.8%	Europe -5.7%	Taiwan -11.0%	India -1.4%	Japan 24.4%	Korea -20.5%	ASEAN 8.8%	Europe 5.9%	Korea -7.9%	Japan -3.9%	China A -7.5%	Korea 5.3%	Japan 13.2%
Japan 8.4%	ASEAN -4.5%	Korea -10.7%	ASEAN -18.4%	China A -15.2%	U.S. 21.8%	China A -27.6%	India 7.6%	ASEAN -6.2%	China -21.6%	China -6.1%	Korea -10.1%	ASEAN 1.9%	U.S. 13.2%

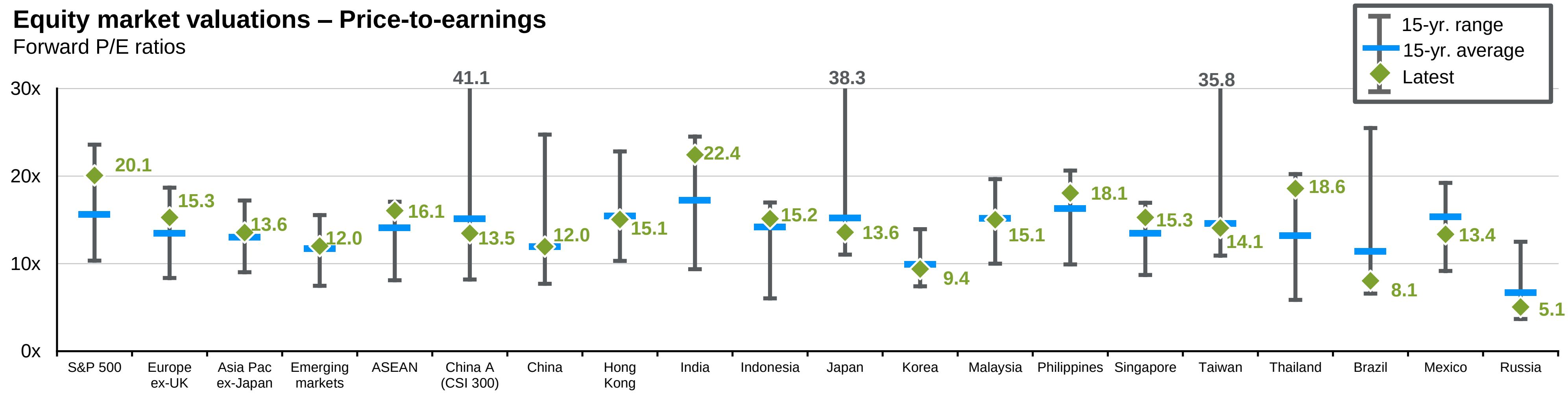
Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management.
Returns are total returns in U.S. dollars based on MSCI indices, except the U.S., which is the S&P 500, and China A, which is the CSI 300 index in U.S. dollar terms. China return is based on the MSCI China index. 10-yr total (gross) return data is used to calculate annualized returns (Ann. Ret.) and annualized volatility (Ann. Vol.) and reflect the period 31/01/12 – 31/01/22. Past performance is not a reliable indicator of current and future results.
Guide to the Markets – Asia. Data reflect most recently available as of 07/02/22.

J.P.Morgan ASSET MANAGEMENT

Global equities: Valuations

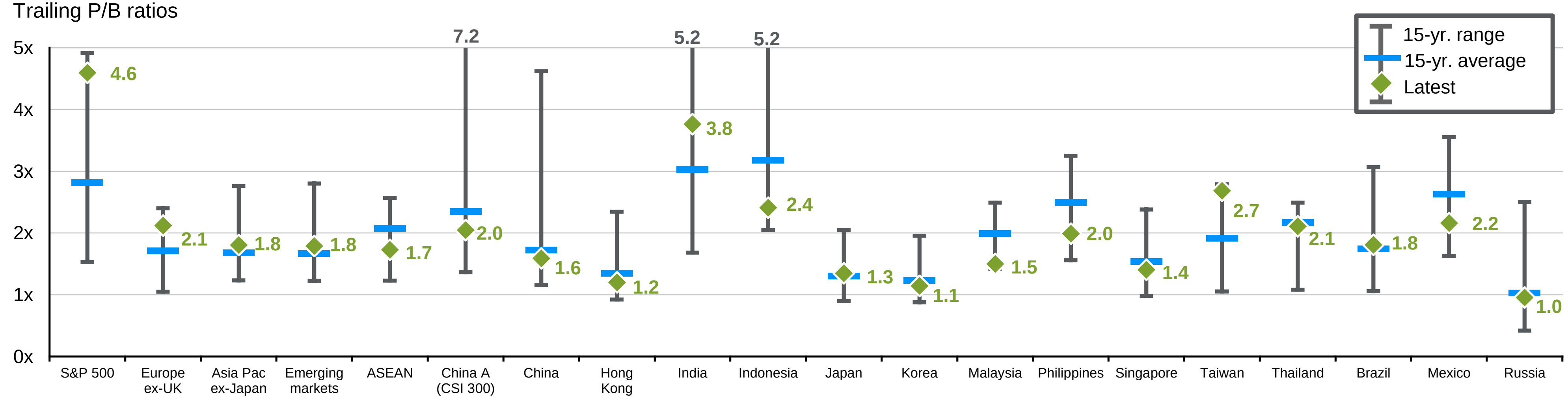
Equity market valuations – Price-to-earnings

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.
Emerging markets is represented by the MSCI Emerging Markets Index. Price-to-earnings (P/E) and price-to-book (P/B) ratios are in local currency terms. 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.
Guide to the Markets – Asia. Data reflect most recently available as of 07/02/22.

J.P.Morgan ASSET MANAGEMENT

Fixed income

Global fixed income returns

												10-yrs ('12 - '21)	
2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**4Q '21**	**YTD '22**	**Ann. Ret.**	**Ann. Vol.**
Europe HY 30.5%	Europe HY 14.9%	USD Asian 8.3%	Asia HY 5.2%	U.S. HY 17.1%	Europe HY 21.0%	Cash 1.8%	U.S. IG 14.5%	Europe HY 10.9%	U.S. HY 5.3%	U.S. HY 0.7%	Local EMD 0.6%	U.S. HY 6.2%	Local EMD 12.3%
Asia HY 20.4%	U.S. HY 7.4%	U.S. IG 7.5%	USD Asian 2.8%	Local EMD 11.4%	Local EMD 15.4%	U.S. Treas 0.9%	USD EMD 14.4%	U.S. IG 9.9%	Cash 0.0%	U.S. IG 0.2%	Cash 0.0%	Europe HY 4.8%	Europe HY 11.0%
Local EMD 19.9%	Asia HY 2.0%	Asia HY 6.1%	USD EMD 1.2%	Asia HY 11.2%	USD EMD 9.3%	DM Gov't -0.7%	U.S. HY 14.3%	DM Gov't 9.7%	U.S. IG -1.0%	U.S. Treas 0.2%	U.S. Treas -1.9%	Asia HY 4.5%	USD EMD 7.7%
USD EMD 18.5%	Cash 0.0%	USD EMD 5.5%	U.S. Treas 0.8%	USD EMD 10.2%	U.S. HY 7.5%	USD Asian -0.8%	Local EMD 13.1%	U.S. Treas 8.0%	USD EMD -1.5%	USD EMD 0.0%	DM Gov't -2.0%	USD EMD 4.5%	Asia HY 7.0%
U.S. HY 15.8%	USD Asian -1.4%	U.S. Treas 5.1%	Cash 0.0%	U.S. IG 6.1%	Asia HY 6.9%	U.S. HY -2.1%	Asia HY 12.8%	U.S. HY 7.1%	U.S. Treas -2.3%	Cash 0.0%	USD Asian -2.2%	USD Asian 4.5%	U.S. HY 6.5%
USD Asian 14.3%	U.S. IG -1.5%	U.S. HY 2.5%	U.S. IG -0.7%	USD Asian 5.8%	DM Gov't 6.8%	U.S. IG -2.5%	USD Asian 11.3%	USD Asian 6.3%	USD Asian -2.4%	Local EMD -0.7%	U.S. HY -2.7%	U.S. IG 4.1%	U.S. IG 5.2%
U.S. IG 9.8%	U.S. Treas -2.7%	DM Gov't 0.7%	DM Gov't -2.6%	Europe HY 3.4%	U.S. IG 6.4%	Asia HY -3.2%	Europe HY 10.3%	USD EMD 5.9%	Local EMD -2.6%	DM Gov't -0.9%	Europe HY -2.8%	U.S. Treas 1.9%	DM Gov't 4.8%
U.S. Treas 2.0%	DM Gov't -4.5%	Cash 0.0%	U.S. HY -4.5%	DM Gov't 1.6%	USD Asian 5.8%	USD EMD -4.6%	U.S. Treas 6.9%	Asia HY 4.9%	Europe HY -3.1%	USD Asian -1.4%	USD EMD -2.9%	DM Gov't 0.7%	USD Asian 4.1%
DM Gov't 1.3%	Local EMD -5.5%	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 6.0%	Cash 0.5%	DM Gov't -6.5%	Europe HY -1.9%	U.S. IG -3.4%	Cash 0.6%	U.S. Treas 3.6%
Cash 0.1%	USD EMD -6.6%	Local EMD -6.1%	Local EMD -18.0%	Cash 0.3%	Cash 0.8%	Europe HY -8.2%	Cash 2.2%	Local EMD -1.2%	Asia HY -11.0%	Asia HY -6.8%	Asia HY -3.5%	Local EMD 0.6%	Cash 0.2%

Source: Barclays, 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. HY*), Bloomberg Barclays U.S. Aggregate Credit – Corporate Investment Grade Index (*U.S. 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 High Yield Index (*Asia 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*). 10-year data is used to calculate annualized returns (Ann. Ret.) and annualized volatility (Ann. Vol.). Returns are in U.S. dollars and reflect the period from 31/01/12 – 31/01/22. Past performance is not a reliable indicator of current and future results.
Guide to the Markets – Asia. Data reflect most recently available as of 07/02/22.

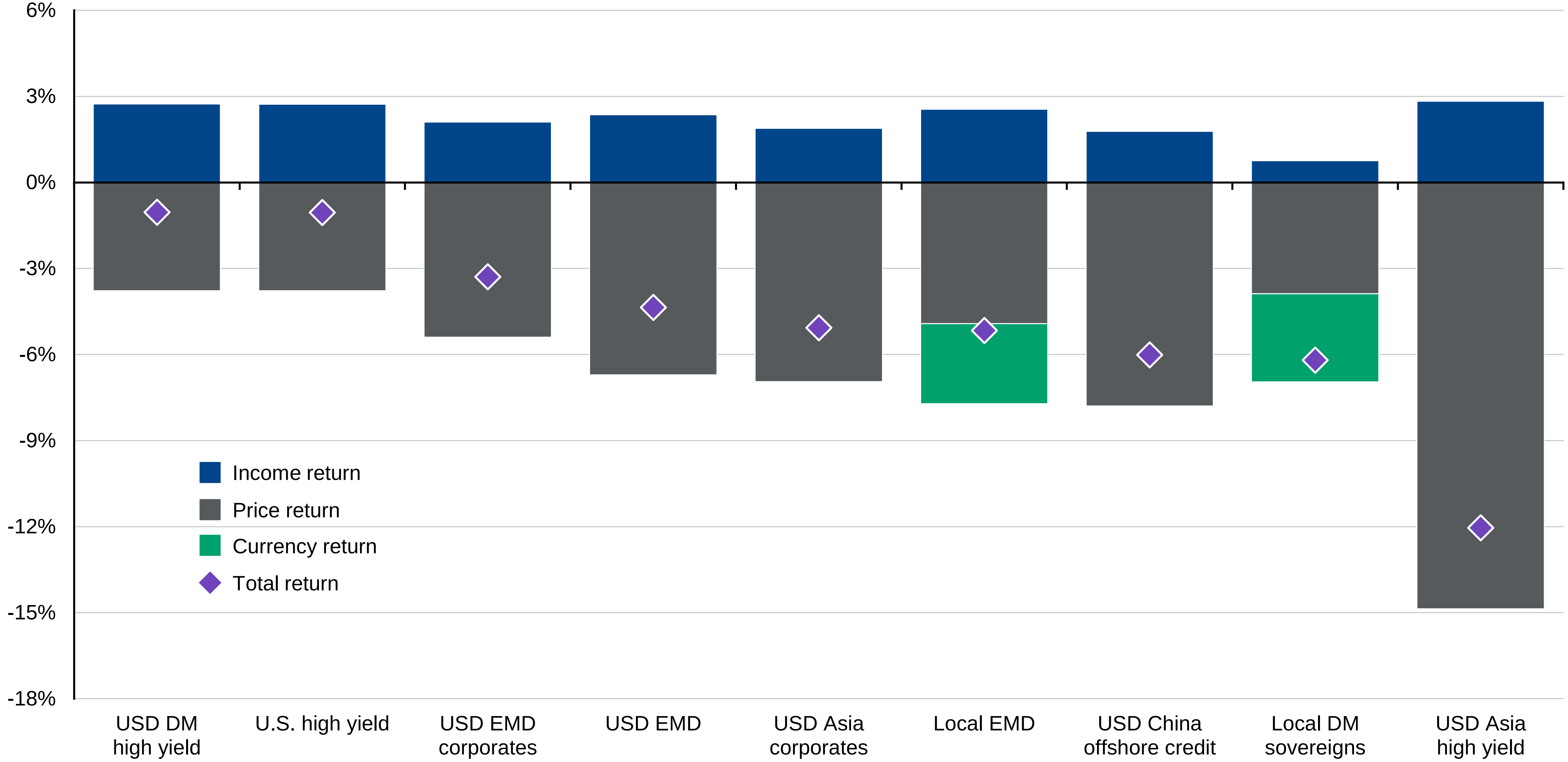
J.P.Morgan
ASSET MANAGEMENT

Global fixed income: Return composition

Fixed income

Debt return composition

Last 6 months

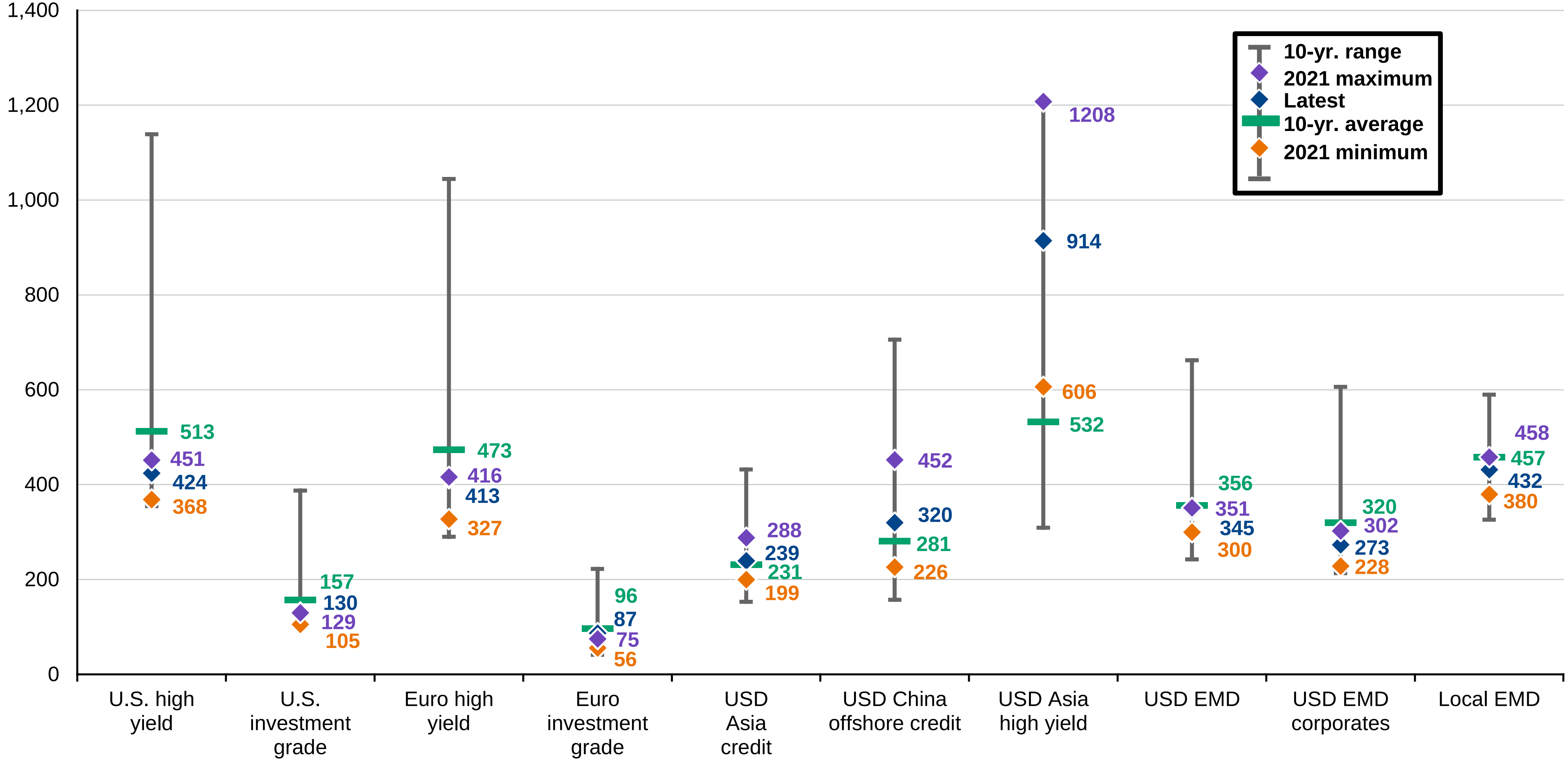


Source: J.P. Morgan Economics Research, J.P. Morgan Asset Management.
Based on J.P. Morgan Asia Credit High Yield Index (*USD Asia high yield*), J.P. Morgan CEMBI (*USD emerging market debt (EMD) corporates*), J.P. Morgan EMBI Global (*USD EMD*), J.P. Morgan Asia Credit Corporates Index (*USD Asia corporates*), J.P. Morgan Asia Credit China Index (*USD China offshore credit*), J.P. Morgan Developed Market HY Index (*USD DM high yield*), J.P. Morgan Domestic High Yield Index (*U.S. high yield*), J.P. Morgan GBI-EM Global (*Local EMD*), J.P. Morgan GBI-DM (*Local DM 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 07/02/22.

J.P.Morgan
ASSET MANAGEMENT

Global fixed income: Valuations

Spread to worst across fixed income sub-sectors
Basis points, last 10 years



Source: iBoxx, ICE BofA Merrill Lynch, J.P. Morgan Economics 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*), J.P. Morgan Euro High Yield Index (*Euro high yield*), iBoxx EUR corporates (*Euro investment grade)*, J.P. Morgan Asia Credit Index (JACI) (*USD Asia credit*), J.P. Morgan Asia Credit China Index (*USD China offshore credit*), J.P. Morgan Asia Credit High Yield Index (*USD Asia high yield*), J.P. Morgan EMBI Global (*USD EMD*), J.P. Morgan Corporate Emerging Markets Bond Index – CEMBI (*USD EMD corporates*), J.P. Morgan GBI-EM Global (*Local EMD*). 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 07/02/22.

Fixed income

J.P.Morgan ASSET MANAGEMENT

Asset class returns

												10-yrs ('12 - '21)	
2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	4Q '21	YTD '22	Ann. Ret.	Ann. Vol.
APAC ex-JP 22.6%	DM Equities 27.4%	Asian Bonds 8.3%	Asian Bonds 2.8%	EM ex-Asia 25.2%	APAC ex-JP 37.3%	Cash 1.8%	DM Equities 28.4%	APAC ex-JP 22.8%	DM Equities 22.3%	DM Equities 7.9%	EM ex-Asia 4.1%	DM Equities 12.1%	EM ex-Asia 21.1%
Global Corp HY 18.9%	Global Corp HY 8.4%	U.S. IG 7.5%	EMD 1.2%	Global Corp HY 14.0%	EM ex-Asia 24.7%	Asian Bonds -0.8%	APAC ex-JP 19.5%	DM Equities 16.5%	EM ex-Asia 8.1%	Diversified 1.0%	Cash 0.0%	APAC ex-JP 6.5%	APAC ex-JP 15.1%
EMD 18.5%	Diversified 5.4%	EMD 5.5%	Cash 0.0%	EMD 10.2%	DM Equities 23.1%	Global Bonds -1.2%	EM ex-Asia 16.9%	Diversified 11.2%	Diversified 3.5%	U.S. IG 0.2%	Global Bonds -2.0%	Diversified 6.4%	DM Equities 13.4%
DM Equities 16.5%	APAC ex-JP 3.7%	DM Equities 5.5%	DM Equities -0.3%	DM Equities 8.2%	Diversified 17.2%	U.S. IG -2.5%	Diversified 16.4%	U.S. IG 9.9%	Global Corp HY 2.0%	EMD 0.0%	Asian Bonds -2.2%	Global Corp HY 5.7%	Diversified 8.4%
Diversified 15.4%	Cash 0.0%	Diversified 3.3%	U.S. IG -0.7%	Diversified 8.1%	Global Corp HY 10.3%	Global Corp HY -3.5%	U.S. IG 14.5%	Global Bonds 9.2%	Cash 0.0%	Cash 0.0%	Global Corp HY -2.7%	EMD 4.5%	EMD 8.3%
EM ex-Asia 14.8%	Asian Bonds -1.4%	APAC ex-JP 3.1%	Global Bonds -3.2%	APAC ex-JP 7.1%	EMD 9.3%	EMD -4.6%	EMD 14.4%	Global Corp HY 8.2%	U.S. IG -1.0%	Global Corp HY -0.4%	EMD -2.9%	Asian Bonds 4.5%	Global Corp HY 7.5%
Asian Bonds 14.3%	U.S. IG -1.5%	Global Bonds 0.6%	Diversified -3.4%	U.S. IG 6.1%	Global Bonds 7.4%	Diversified -6.0%	Global Corp HY 13.4%	Asian Bonds 6.3%	EMD -1.5%	Global Bonds -0.7%	Diversified -2.9%	U.S. IG 4.1%	U.S. IG 5.9%
U.S. IG 9.8%	Global Bonds -2.6%	Global Corp HY 0.2%	Global Corp HY -4.9%	Asian Bonds 5.8%	U.S. IG 6.4%	DM Equities -8.2%	Asian Bonds 11.3%	EMD 5.9%	Asian Bonds -2.4%	APAC ex-JP -0.7%	U.S. IG -3.4%	Global Bonds 1.4%	Global Bonds 5.2%
Global Bonds 4.3%	EMD -6.6%	Cash 0.0%	APAC ex-JP -9.1%	Global Bonds 2.1%	Asian Bonds 5.8%	EM ex-Asia -11.5%	Global Bonds 6.8%	Cash 0.5%	APAC ex-JP -2.7%	Asian Bonds -1.4%	APAC ex-JP -4.0%	Cash 0.6%	Asian Bonds 4.4%
Cash 0.1%	EM ex-Asia -9.3%	EM ex-Asia -13.3%	EM ex-Asia -25.1%	Cash 0.3%	Cash 0.8%	APAC ex-JP -13.7%	Cash 2.2%	EM ex-Asia -9.7%	Global Bonds -4.7%	EM ex-Asia -2.4%	DM Equities -5.3%	EM ex-Asia -0.1%	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 World Index (*DM Equities*), 20% in the MSCI AC Asia Pacific ex-Japan (*APAC ex-JP*), 5% in the MSCI EM ex-Asia (*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 Bloomberg Barclays U.S. Aggregate Credit – Corporate Investment Grade Index (*U.S. IG*) 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 31/01/12 – 31/01/22. Please see disclosure page at end for index definitions. Past performance is not a reliable indicator of current and future results. Diversification does not guarantee investment returns and does not eliminate the risk of loss.
Guide to the Markets – Asia. Data reflect most recently available as of 07/02/22.

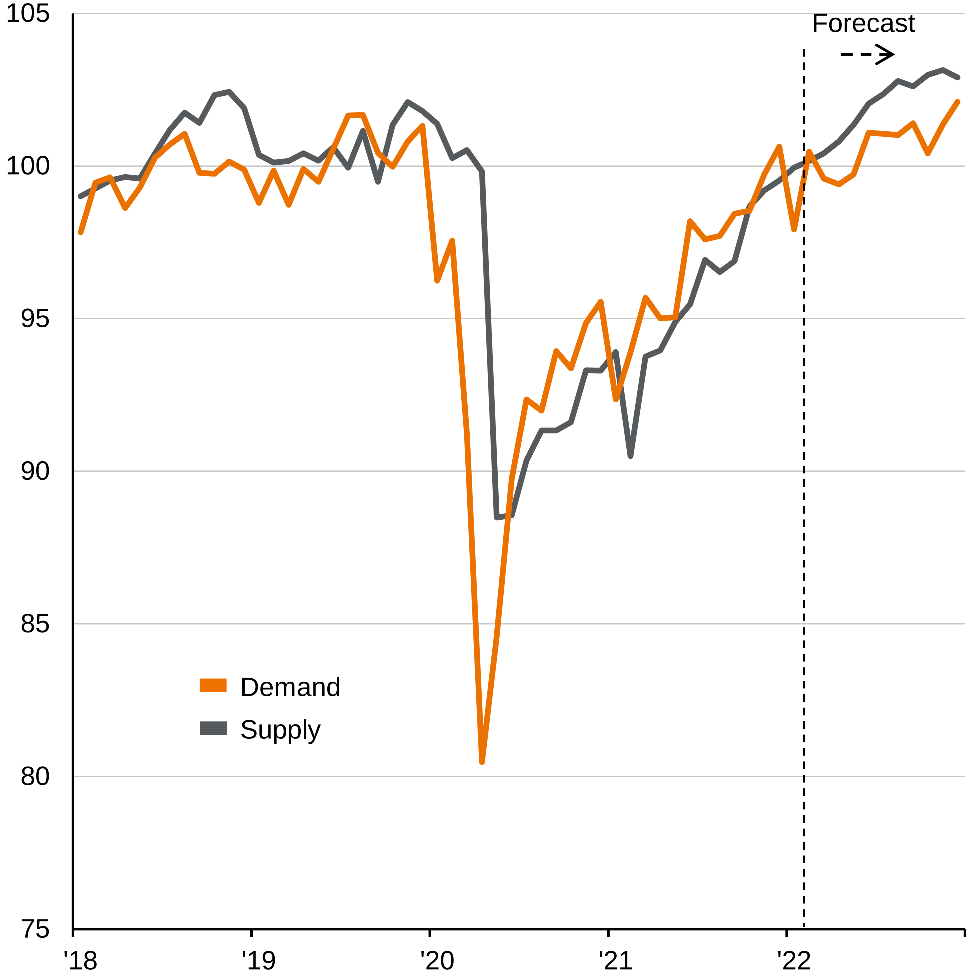
J.P.Morgan
ASSET MANAGEMENT

Other asset classes

Oil: Short-term market dynamics

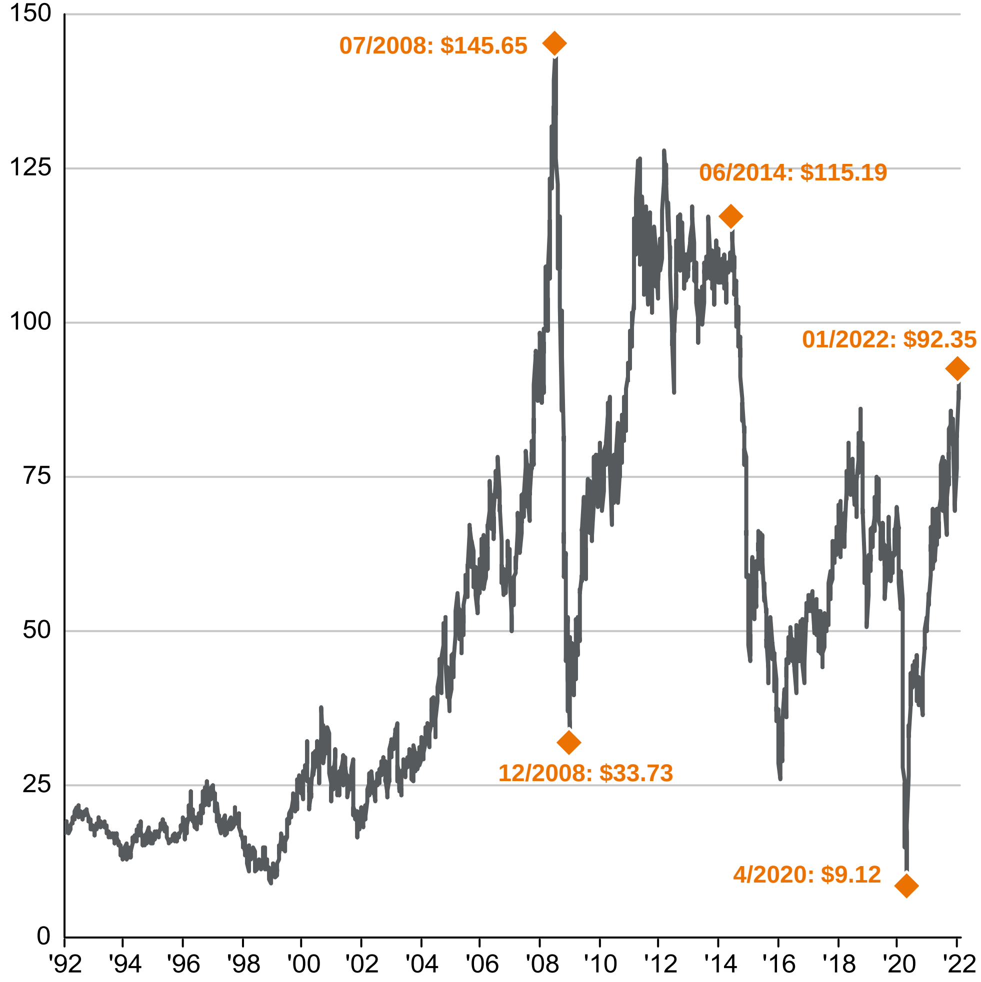
Global oil supply and demand

Million barrels / day



Price of oil

Brent crude, USD / bbl



Source: FactSet, J.P. Morgan Asset Management; (Left) U.S. Energy Information Administration; (Right) Commodity Research Bureau.
Guide to the Markets – Asia. Data reflect most recently available as of 07/02/22.

J.P.Morgan
ASSET MANAGEMENT

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.

For the purposes of MiFID II, the JPM Market Insights and Portfolio Insights programs are marketing communications and are not in scope for any MiFID II / MiFIR requirements specifically related to investment research. Furthermore, the J.P. Morgan Asset Management Market Insights and Portfolio Insights programs, as non-independent research, have not been prepared in accordance with legal requirements designed to promote the independence of investment research, nor are they subject to any prohibition on dealing ahead of the dissemination of investment research.

This document is a general communication being provided for informational purposes only. It is educational in nature and not designed to be taken as advice or a recommendation for any specific investment product, strategy, plan feature or other purpose in any jurisdiction, nor is it a commitment from J.P. Morgan Asset Management or any of its subsidiaries to participate in any of the transactions mentioned herein. Any examples used are generic, hypothetical and for illustration purposes only. This material does not contain sufficient information to support an investment decision and it should not be relied upon by you in evaluating the merits of investing in any securities or products. In addition, users should make an independent assessment of the legal, regulatory, tax, credit, and accounting implications and determine, together with their own financial professional, if any investment mentioned herein is believed to be appropriate to their personal goals. Investors should ensure that they obtain all available relevant information before making any investment. Any forecasts, figures, opinions or investment techniques and strategies set out are for information purposes only, based on certain assumptions and current market conditions and are subject to change without prior notice. All information presented herein is considered to be accurate at the time of production, but no warranty of accuracy is given and no liability in respect of any error or omission is accepted. It should be noted that investment involves risks, the value of investments and the income from them may fluctuate in accordance with market conditions and taxation agreements and investors may not get back the full amount invested. Both past performance and yields are not reliable indicators of current and future results.

J.P. Morgan Asset Management is the brand for the asset management business of JPMorgan Chase & Co. and its affiliates worldwide.

To the extent permitted by applicable law, we may record telephone calls and monitor electronic communications to comply with our legal and regulatory obligations and internal policies. Personal data will be collected, stored and processed by J.P. Morgan Asset Management in accordance with our privacy policies at https://am.jpmorgan.com/global/privacy.

This communication is issued by the following entities:

In the United States, by J.P. Morgan Investment Management Inc. or J.P. Morgan Alternative Asset Management, Inc., both regulated by the Securities and Exchange Commission; in Latin America, for intended recipients' use only, by local J.P. Morgan entities, as the case may be. In Canada, for institutional clients' use only, by JPMorgan Asset Management (Canada) Inc., which is a registered Portfolio Manager and Exempt Market Dealer in all Canadian provinces and territories except the Yukon and is also registered as an Investment Fund Manager in British Columbia, Ontario, Quebec and Newfoundland and Labrador. In the United Kingdom, by JPMorgan Asset Management (UK) Limited, which is authorized and regulated by the Financial Conduct Authority; in other European jurisdictions, by JPMorgan Asset Management (Europe) S.à r.l. In Asia Pacific ("APAC"), by the following issuing entities and in the respective jurisdictions in which they are primarily regulated: JPMorgan Asset Management (Asia Pacific) Limited, or JPMorgan Funds (Asia) Limited, or JPMorgan Asset Management Real Assets (Asia) Limited, each of which is regulated by the Securities and Futures Commission of Hong Kong; JPMorgan Asset Management (Singapore) Limited (Co. Reg. No. 197601586K), this advertisement or publication has not been reviewed by the Monetary Authority of Singapore; JPMorgan Asset Management (Taiwan) Limited; JPMorgan Asset Management (Japan) Limited, which is a member of the Investment Trusts Association, Japan, the Japan Investment Advisers Association, Type II Financial Instruments Firms Association and the Japan Securities Dealers Association and is regulated by the Financial Services Agency (registration number "Kanto Local Finance Bureau (Financial Instruments Firm) No. 330"); in Australia, to wholesale clients only as defined in section 761A and 761G of the Corporations Act 2001 (Commonwealth), by JPMorgan Asset Management (Australia) Limited (ABN 55143832080) (AFSL 376919). For all other markets in APAC, to intended recipients only.

For U.S. only: If you are a person with a disability and need additional support in viewing the material, please call us at 1-800-343-1113 for assistance.

Material ID: 0903c02a8262e8b6

J.P.Morgan
ASSET MANAGEMENT