

Guide to the Markets

Five charts for a market downturn

EU | April 2020

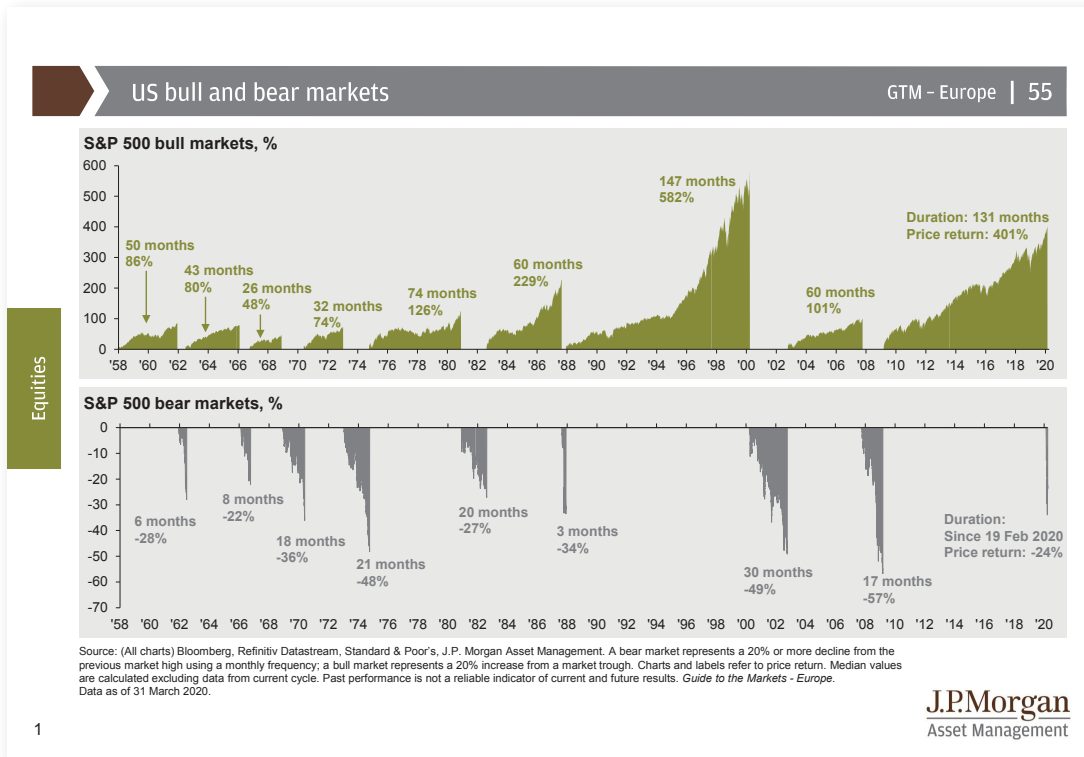


With US stocks falling more than 20% since the February peak, the first bear market since 2009 has rattled investors. Here are five long-term investment considerations to keep in mind:

- 1 The depth and duration of bull and bear markets
- 2 The importance of diversification
- 3 A focus on fixed income
- 4 Market timing can be tough
- 5 The role of alternative assets

1 The depth and duration of bull and bear markets

The COVID-19 outbreak is severely impacting activity across the world, and economic growth forecasts for the first half of 2020 have been cut aggressively. The depth and duration of a contraction in growth is dependent on two key factors: how quickly infection rates peak, and the policy response. Even if growth does rebound later in 2020, the hit to earnings will be significant, and both earnings expectations and valuations may take time to fully reflect the impact of this outbreak. The global economy should recover once the outbreak is contained. In the near-term, new infection numbers and the size and speed of the policy response continue to be the key gauges to focus on.



2 The importance of diversification

The current market downturn reinforces the importance of diversification. Government bonds have done their job so far in 2020 - to go up in price when equities fall - despite having started the year with yields close to record lows. Holding bonds can help investors to manage portfolio volatility.

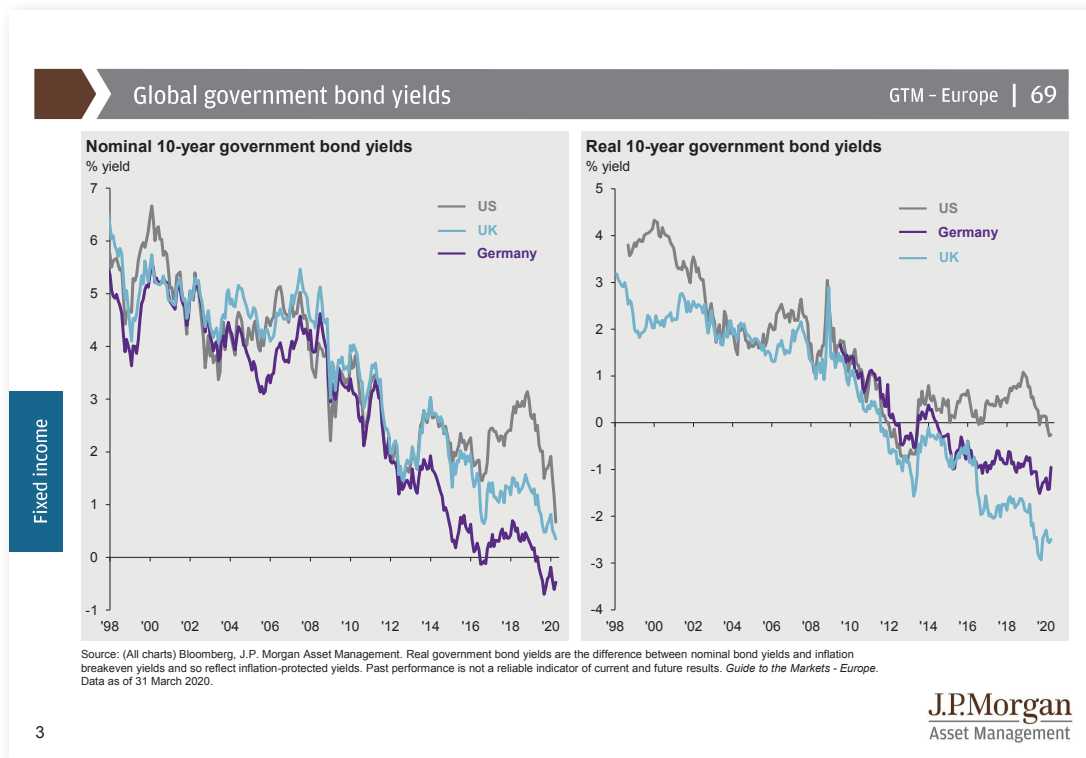
Asset class returns (EUR)															GTM - Europe 94	
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	1Q 20	Ann. return since '08	Vol.	
Govt bonds	15.9%	EME	REITs	EMD	REITs	DM Equities	REITs	REITs	HY bonds	EME	Govt bonds	DM Equities	Govt bonds	REITs	EME	
Cash	5.7%	HY bonds	EME	REITs	HY bonds	Portfolio	EMD	EMD	Comdty	DM Equities	IG bonds	REITs	Cash	HY bonds	REITs	
IG bonds	-3.9%	DM Equities	Comdty	Govt bonds	EME	HY bonds	DM Equities	DM Equities	EME	Portfolio	HY bonds	EME	IG bonds	EMD	HY bonds	
EMD	-5.3%	Portfolio	HY bonds	IG bonds	EMD	Hedge Funds	IG bonds	HY bonds	EMD	Cash	REITs	Portfolio	Hedge Funds	DM Equities	DM Equities	
Hedge Funds	-19.3%	EMD	DM Equities	HY bonds	DM Equities	Cash	Portfolio	Govt bonds	REITs	HY bonds	EMD	EMD	EMD	Portfolio	Comdty	
Portfolio	-20.9%	REITs	EMD	Cash	Portfolio	REITs	HY bonds	IG bonds	DM Equities	EMD	Cash	HY bonds	Portfolio	IG bonds	Portfolio	
HY bonds	-23.1%	IG bonds	Portfolio	Portfolio	IG bonds	IG bonds	Hedge Funds	Hedge Funds	Portfolio	REITs	Portfolio	IG bonds	HY bonds	Govt bonds	EMD	
Comdty	-32.3%	Comdty	Govt bonds	DM Equities	Hedge Funds	EME	Govt bonds	Portfolio	IG bonds	IG bonds	Hedge Funds	Hedge Funds	DM Equities	EME	Hedge Funds	
REITs	-34.1%	Hedge Funds	IG bonds	Hedge Funds	Cash	Govt bonds	EME	Cash	Hedge Funds	Govt bonds	DM Equities	Comdty	Comdty	Hedge Funds	IG bonds	
DM Equities	-37.2%	Cash	Hedge Funds	Comdty	Govt bonds	EMD	Cash	EME	Govt bonds	Hedge Funds	Comdty	Govt bonds	EME	Cash	Govt bonds	
EME	-50.8%	Govt bonds	Cash	EME	Comdty	Comdty	Comdty	Comdty	Cash	Comdty	EME	Cash	REITs	Comdty	Cash	

Source: Bloomberg Barclays, FTSE, J.P. Morgan Economic Research, MSCI, Refinitiv Datastream, J.P. Morgan Asset Management. Annualised return covers the period from 2009 to 2019. Vol. is the standard deviation of annual returns. Govt bonds: Bloomberg Barclays Global Aggregate Government Treasuries; HY bonds: Bloomberg Barclays Global High Yield; EMD: J.P. Morgan EMBI Global; IG bonds: Bloomberg Barclays Global Aggregate - Corporates; Comdty: Bloomberg Commodity; REITs: FTSE NAREIT All REITs; DM Equities: MSCI World; EME: MSCI EME; Hedge funds: HFRI Global Hedge Fund Index; Cash: JP Morgan Cash Index EUR (3M). Hypothetical portfolio (for illustrative purposes only and should not be taken as a recommendation): 30% DM equities; 10% EM equities; 15% IG bonds; 12.5% government bonds; 7.5% HY bonds; 5% EMD; 5% commodities; 5% cash; 5% REITs and 5% hedge funds. All returns are total return, in EUR, and are unhedged. Past performance is not a reliable indicator of current and future results. Guide to the Markets - Europe. Data as of 31 March 2020.

Investing principles

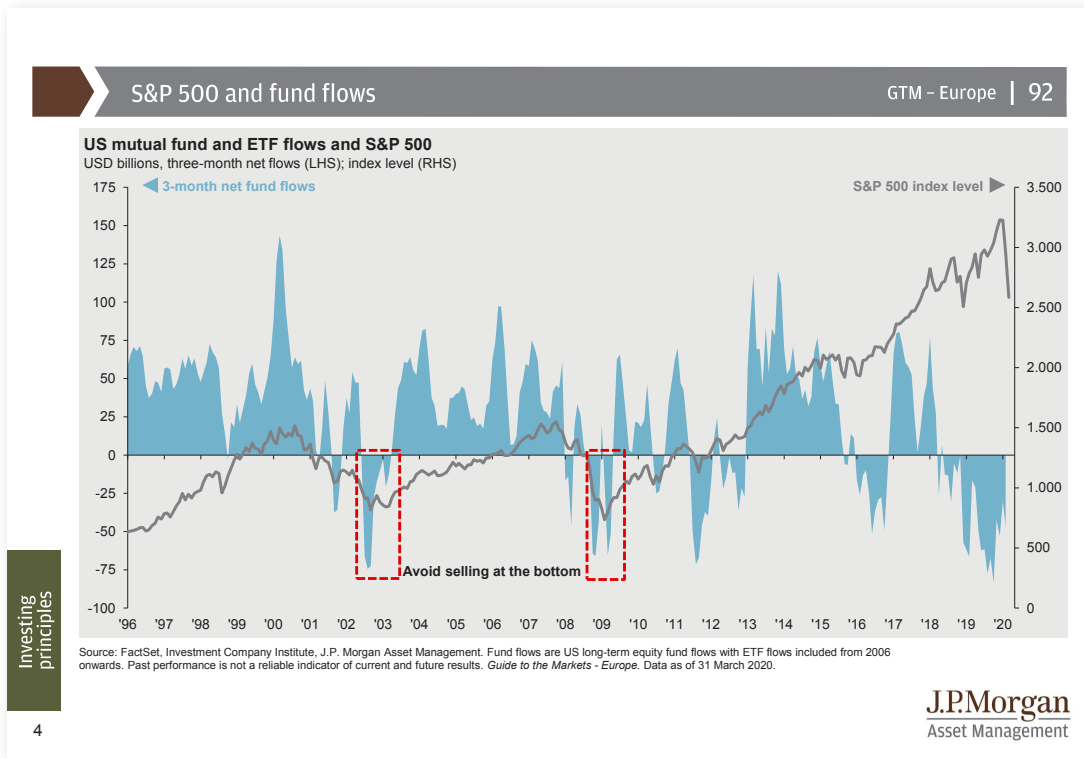
3 A focus on fixed income

US Treasuries have outperformed UK and German government bonds year-to-date. With the Federal Reserve having cut interest rates aggressively, the potential for US Treasury yields to fall further has diminished. Fixed income still has an important role to play in adding portfolio ballast, but the attractiveness of longer-dated government bonds over shorter-dated options has reduced given the dramatic rally in long-dated yields this year.



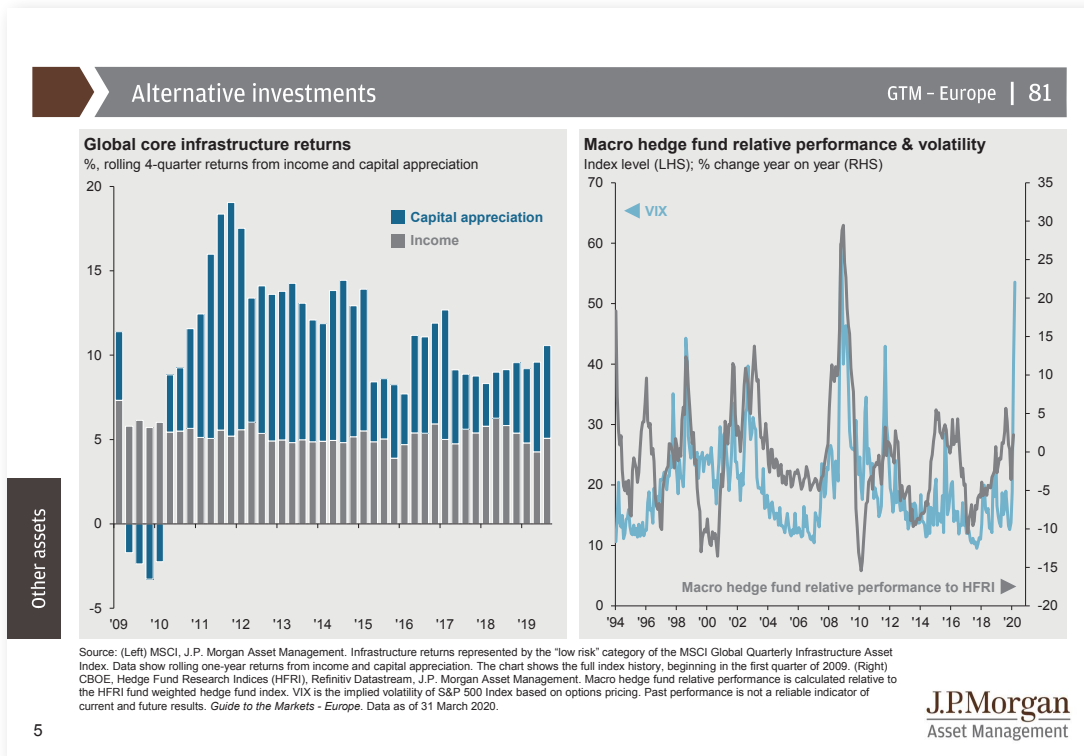
4 Market timing can be tough

Timing the stock market is hard. History tells us that investors have often sold out of stocks in the aftermath of sharp market corrections, but this can often be the worst time to sell risky assets.



5 The role of alternative assets

The current market sell-off has emphasised the importance of alternative investments. Income-hunting investors will have seen the yields on government bond portfolios shrink dramatically, which makes alternative income sources such as infrastructure more attractive provided that investors have the ability to invest in less-liquid assets. Macro-style hedge funds have also historically proven their worth as diversifiers in periods of elevated stock market volatility.



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 professional advisers, if any investment mentioned herein is believed to be suitable 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 a reliable indicator 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 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 Hong Kong by JPMorgan Asset Management (Asia Pacific) Limited, or JPMorgan Funds (Asia) Limited, or JPMorgan Asset Management Real Assets (Asia) Limited; in Singapore by JPMorgan Asset Management (Singapore) Limited (Co. Reg. No. 197601586K), this advertisement or publication has not been reviewed by the Monetary Authority of Singapore; in Taiwan by JPMorgan Asset Management (Taiwan) Limited; in Japan by 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 (Cth) by JPMorgan Asset Management (Australia) Limited (ABN 55143832080) (AFSL 376919); in Brazil by Banco J.P. Morgan S.A.; in Canada for institutional clients' use only by JPMorgan Asset Management (Canada) Inc., and in the United States by J.P. Morgan Institutional Investments, Inc., member of FINRA; J.P. Morgan Investment Management Inc. or J.P. Morgan Alternative Asset Management, Inc. In APAC, distribution is for Hong Kong, Taiwan, Japan and Singapore. For all other markets in APAC, to intended recipients only.

Copyright 2020 JPMorgan Chase & Co. All rights reserved.

LV-JPM52661 | 03/20 | 0903c02a828411d2