

MARKET INSIGHTS

Weekly Market Recap

U.S. | April 19, 2021

The week in review

- Retail sales: +9.8% m/m
- Headline CPI: +0.6% m/m, +2.6% y/y
- Industrial production: +1.4% m/m

The week ahead

- Flash PMIs

Thought of the week

Consumer prices rose in March at their fastest pace in nearly nine years, with the headline CPI rising 0.6% (consensus 0.5%) and the core CPI, excluding food and energy, rising 0.3% (consensus 0.2%). The main contributor to higher inflation in March was gasoline prices, which rose +9.1% m/m. Notably, the report revealed a rebound in core services prices as the U.S. economy reopens, with food away from home increasing 3.7%, while “limited services meals” jumped 6.5% for the year. While the upside surprise in inflation was small, it could be important as it increases the odds that inflation, as measured by the personal consumption deflator, will remain solidly above 2% y/y from April of this year well into 2022. Fed officials have indicated that they expect PCE inflation to average around 2.4% y/y in 4Q21, but that they will regard increases later this year as likely transient. As shown in the graph, the PCE deflation has recently tracked headline CPI closely, and our estimate of the March PCE deflator is now 2.3% y/y. However, if inflation prints continue to run solidly above target, it could create some communication challenges for the Fed. As inflation is expected to rise over the next few quarters, the Fed will certainly be closer to its criteria for raising short-term rates, but more imminently, it will be closer to its criteria for tapering, which simply requires significant progress toward 2% inflation and maximum employment. Investors should continue to manage their duration of fixed income assets carefully and consider the possibility that tapering could happen sooner than the market expects.

Please see important disclosure on next page.

WEEKLY DATA CENTER

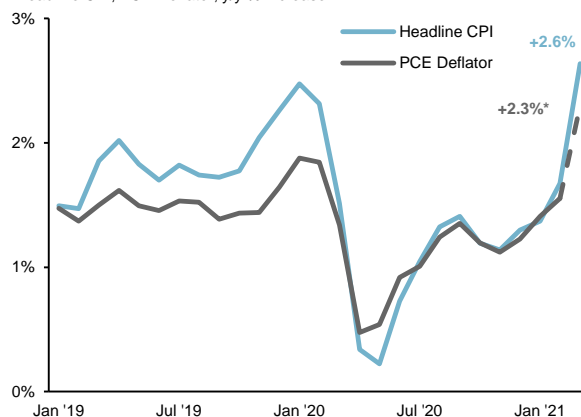
Equities	Level	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
S&P 500	4185	1.39	5.41	11.92	52.02	65.42
Dow Jones 30	34201	1.18	3.73	12.33	48.43	49.12
Russell 2000	5623	0.86	1.92	14.86	94.27	50.68
Russell 1000 Growth	1739	1.78	7.59	8.60	58.48	96.43
Russell 1000 Value	953.56	1.21	3.47	15.12	52.88	39.40
MSCI EAFE	2299	1.67	4.25	8.00	49.12	23.44
MSCI EM	1349	1.41	2.52	4.93	56.09	25.87
NASDAQ	14052	1.10	6.10	9.23	65.99	102.22

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	1.53	0.35	0.84	-2.56	-0.22	15.82
U.S. Corporates	2.22	0.39	1.17	-3.54	4.59	21.16
Municipals (10yr)	0.89	0.48	0.93	0.36	5.37	17.39
High Yield	4.79	0.20	0.91	1.77	18.53	21.55

Key Rates	Levels (%)					
	4/16/21	4/9/21	3/31/21	12/31/20	4/16/20	4/16/18
2-yr U.S. Treasuries	0.16	0.16	0.16	0.13	0.20	2.39
10-yr U.S. Treasuries	1.59	1.67	1.74	0.93	0.61	2.83
30-yr U.S. Treasuries	2.26	2.34	2.41	1.65	1.21	3.03
10-yr German Bund	-0.27	-0.30	-0.30	-0.58	-0.49	0.56
3-mo. LIBOR	0.19	0.19	0.19	0.24	1.14	2.36
3-mo. EURIBOR	-0.54	-0.54	-0.54	-0.55	-0.22	-0.33
6-mo. CD rate	0.17	0.17	0.18	0.26	0.45	0.54
30-yr fixed mortgage	3.27	3.27	3.33	2.90	3.45	4.66
Prime Rate	3.25	3.25	3.25	3.25	3.25	4.75

CHART OF THE WEEK

Inflation is starting to jump
Headline CPI, PCE Deflator, y/y % increase

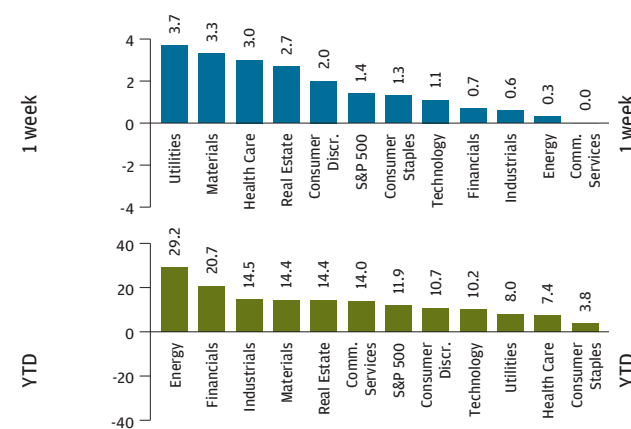


STYLE RETURNS

	V	B	G
L	1.2	1.4	1.8
M	1.4	1.7	2.2
S	0.9	0.9	0.8

	V	B	G
L	15.1	11.9	8.6
M	17.4	13.3	6.0
S	23.6	14.9	6.8

S&P 500 SECTOR RETURNS



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Chart of the Week: Source: Bureau of Labor Statistics, J.P. Morgan. *J.P. Morgan Asset Management estimate.

Thought of the week: Source: Bureau of Labor Statistics, J.P. Morgan.

Abbreviations: Cons. Sent.: University of Michigan Consumer Sentiment Index; CPI: Consumer Price Index; EIA: Energy Information Agency; FHFA HPI: - Federal Housing Finance Authority House Price Index; FOMC: Federal Open Market Committee; GDP: gross domestic product; HPI: Home Price Index; HMI: Housing Market Index; ISM Mfg. Index: Institute for Supply Management Manufacturing Index; PCE: Personal consumption expenditures; Philly Fed Survey: Philadelphia Fed Business Outlook Survey; PMI: Purchasing Managers' Manufacturing Index; PPI: Producer Price Index; SAAR: Seasonally Adjusted Annual Rate

Equity Price Levels and Returns: All returns represent total return for stated period. Index: S&P 500; provided by: Standard & Poor's. Index: Dow Jones Industrial 30 (The Dow Jones is a price-weighted index composing of 30 widely-traded blue chip stocks.) ; provided by: S&P Dow Jones Indices LLC. Index: Russell 2000; provided by: Russell Investments. Index: Russell 1000 Growth; provided by: Russell Investments. Index: Russell 1000 Value; provided by: Russell Investments. Index: MSCI - EAFE; provided by: MSCI - gross official pricing. Index: MSCI - EM; provided by: MSCI - gross official pricing. Index: Nasdaq Composite; provided by: NASDAQ OMX Group.

MSCI EAFE is a Morgan Stanley Capital International Index that is designed to measure the performance of the developed stock markets of Europe, Australasia, and the Far East.

Bond Returns: All returns represent total return. Index: Barclays US Aggregate; provided by: Barclays Capital. Index: Barclays Investment Grade Credit; provided by: Barclays Capital. Index: Barclays Municipal Bond 10 Yr; provided by: Barclays Capital. Index: Barclays Capital High Yield Index; provided by: Barclays Capital.

Key Interest Rates: 2 Year Treasury, FactSet; 10 Year Treasury, FactSet; 30 Year Treasury, FactSet; 10 Year German Bund, FactSet. 3 Month LIBOR, British Bankers' Association; 3 Month EURIBOR, European Banking Federation; 6 Month CD, Federal Reserve; 30 Year Mortgage, Mortgage Bankers Association (MBA); Prime Rate: Federal Reserve.

Commodities: Gold, FactSet; Crude Oil (WTI), FactSet; Gasoline, FactSet; Natural Gas, FactSet; Silver, FactSet; Copper, FactSet; Corn, FactSet. Bloomberg Commodity Index (BBG Idx), Bloomberg Finance L.P.

Currency: Dollar per Pound, FactSet; Dollar per Euro, FactSet; Yen per Dollar, FactSet.

S&P Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average using First Call Mean estimates for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet's Pricing database as provided by Standard & Poor's.

MSCI Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from MSCI and Price information from FactSet's Pricing database as provided by MSCI.

Russell 1000 Value Index, Russell 1000 Growth Index, and Russell 2000 Index Characteristics: Trailing P/E is provided directly by Russell. Fwd. P/E is a bottom-up weighted harmonic average using First Call Mean estimates for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet's Pricing database as provided by Russell.

Sector Returns: Sectors are based on the GICS methodology. Return data are calculated by FactSet using constituents and weights as provided by Standard & Poor's. Returns are cumulative total return for stated period, including reinvestment of dividends.

Style Returns: Style box returns based on Russell Indexes with the exception of the Large-Cap Blend box, which reflects the S&P 500 Index. All values are cumulative total return for stated period including the reinvestment of dividends. The Index used from L to R, top to bottom are: Russell 1000 Value Index (Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values), S&P 500 Index (Index represents the 500 Large Cap portion of the stock market, and is comprised of 500 stocks as selected by the S&P Index Committee), Russell 1000 Growth Index (Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values), Russell Mid Cap Value Index (Measures the performance of those Russell Mid Cap companies with lower price-to-book ratios and lower forecasted growth values), Russell Mid Cap Index (The Russell Midcap Index includes the smallest 800 securities in the Russell 1000), Russell Mid Cap Growth Index (Measures the performance of those Russell Mid Cap companies with higher price-to-book ratios and higher forecasted growth values), Russell 2000 Value Index (Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values), Russell 2000 Index (The Russell 2000 includes the smallest 2000 securities in the Russell 3000), Russell 2000 Growth Index (Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values).

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