

MARKET INSIGHTS

Weekly Market Recap

U.S. | September 20, 2021

The week in review

- Headline/core CPI: 5.3%/4.0% y/y
- Initial claims increased to 332K
- Retail sales rose 0.70% m/m

The week ahead

- FOMC meeting
- Mfg./services PMIs

Thought of the week

Since the beginning of May, 59% of S&P 500 constituents have experienced a peak-to-trough decline of at least 10%. However, over the same time period the S&P 500 has spent 88% of days without moving up or down by more than 1%. So with things calm on the surface but a number of cross-currents racing below, what could cause an index correction? To start, the lack of an index-level correction has been due to the continued outperformance of the S&P 500's largest names, many of which reside in the technology sector. As shown in the *Chart of the Week*, S&P 500 price return dispersion at the sector level has not been evenly distributed. On the one hand, current prices in the energy, materials and industrials sectors are flat/down relative to the end of April, whereas prices in the technology, real estate, communication services and health care sectors are hovering just below their local peaks. With the exception of real estate, the sectors that have demonstrated this resiliency tend to have a "growthier" tilt, suggesting that an upward move in long-term rates poses the biggest threat to these parts of the market. With August's inflation report marking the 4th straight month of y/y headline CPI of +5% and the Federal Reserve likely to announce tapering plans in its November meeting, we continue to expect rates will increase into year-end; this could pressure growth stock valuations, and potentially lead to more meaningful pullback at the index level.

WEEKLY DATA CENTER

Equities	Level	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
S&P 500	4433	-0.54	3.48	19.26	34.04	62.02
Dow Jones 30	34585	-0.05	0.70	14.58	26.32	41.88
Russell 2000	5559	0.45	-3.00	14.01	46.48	36.53
Russell 1000 Growth	1904	-0.55	5.56	19.27	36.33	92.81
Russell 1000 Value	967.62	-0.33	0.63	17.79	34.17	35.08
MSCI EAFE	2348	-1.38	2.33	11.71	26.20	32.16
MSCI EM	1279	-2.19	-6.20	0.92	18.27	36.13
NASDAQ	15044	-0.46	3.87	17.28	38.83	95.86

Fixed Income	Yield	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	1.48	-0.03	0.85	-0.77	-0.32	17.79
U.S. Corporates	2.06	0.08	1.16	-0.12	2.16	25.49
Municipals (10yr)	0.86	0.00	0.65	1.22	3.01	17.40
High Yield	4.57	0.14	1.34	5.01	10.82	22.98

Key Rates	Levels (%)					
	9/17/21	9/10/21	6/30/21	12/31/20	9/17/20	9/17/18
2-yr U.S. Treasuries	0.23	0.23	0.25	0.13	0.13	2.78
10-yr U.S. Treasuries	1.37	1.35	1.45	0.93	0.69	2.99
30-yr U.S. Treasuries	1.91	1.94	2.06	1.65	1.43	3.13
10-yr German Bund	-0.27	-0.34	-0.21	-0.58	-0.50	0.44
3-mo. LIBOR	0.12	0.12	0.15	0.24	0.23	2.34
3-mo. EURIBOR	-0.55	-0.54	-0.54	-0.55	-0.50	-0.32
6-mo. CD rate	0.15	0.15	0.16	0.26	0.31	0.65
30-yr fixed mortgage	3.03	3.03	3.20	2.90	3.07	4.88
Prime Rate	3.25	3.25	3.25	3.25	3.25	5.00

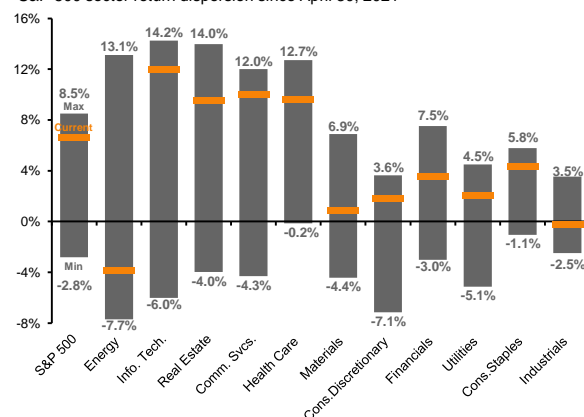
Index Characteristics			
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
20.70	4.38	1.30	81.73
18.40	4.76	1.72	361.12
25.14	2.53	0.90	1.79
29.84	12.49	0.66	63.42
16.06	2.53	1.87	36.08
15.64	1.82	2.43	28.03
12.90	1.92	2.07	19.14
31.02	6.59	0.61	7.93

Currencies	Levels		
	9/17/21	12/31/20	9/17/20
\$ per €	1.17	1.22	1.18
\$ per £	1.37	1.37	1.29
¥ per \$	109.97	103.25	104.72

Commodities	Levels		
	9/17/21	12/31/20	9/17/20
Oil (WTI)	71.96	48.35	40.99
Gasoline	3.17	2.20	2.18
Natural Gas	5.11	2.36	1.65
Gold	1756	1888	1936
Silver	23.01	26.49	26.75
Copper	9436	7742	6761
Corn	4.97	4.74	3.45
BBG Idx	208.31	166.63	154.49

CHART OF THE WEEK

Lots of action beneath the surface
S&P 500 sector return dispersion since April 30, 2021

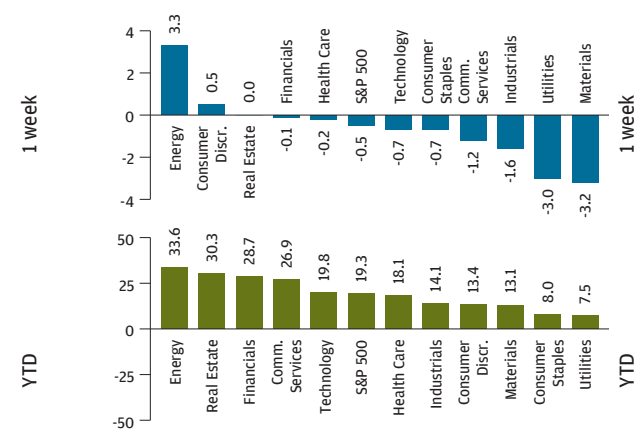


STYLE RETURNS

	V	B	G
L	-0.3	-0.5	-0.6
M	-0.5	-0.4	-0.1
S	0.2	0.5	0.7

	V	B	G
L	17.8	19.3	19.3
M	19.8	18.0	14.5
S	22.6	14.0	6.0

S&P 500 SECTOR RETURNS



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Chart of the Week: Source: FactSet, J.P. Morgan Asset Management. Bars illustrate the spread between the maximum and minimum return based on a starting point of April 30, 2021.

Thought of the week: Source: FactSet, J.P. Morgan Asset Management.

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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