

MARKET INSIGHTS

Weekly Market Recap

U.S. | January 17, 2022

The week in review

- Headline CPI: +0.5% m/m
- Core CPI: +0.6% m/m
- PPI: +0.2% m/m

The week ahead

- 4Q earnings

Thought of the week

Despite being the hottest inflation print in four decades (headline +7.0% y/y and core +5.5% y/y), the Treasury market largely shrugged off the December CPI print with the 10Y nudging only +2bps. Rather, the print consolidated the aggressive repricing that occurred earlier this year and reinforced expectations that the Fed may begin raising rates as soon as March and begin quantitative tightening as soon as June.

The market has already priced in higher inflation for the near term, with inflation breakevens last peaking in November. U.S. CPI data was thus overshadowed by real rates as the market anticipates Fed tightening. Since the start of the year, rates have been on the move with 10Y nominal yields +19bps driven entirely by real yields (nominal yield - core inflation) rising 31 bps. It should come as no surprise that the Fed and easing COVID concerns are at the forefront of this movement. As the U.S. economy endures a period of higher inflation and a rapidly tightening labor markets, Treasuries endured steep selloff in anticipation of tighter Fed policy in 2022. Furthermore, many former Fed officials are suggesting that the Fed may be behind the curve on inflation and may need to raise short-term rates more in the near term than markets are currently pricing and reduce the size of its ballooned balance sheet sooner than anticipated.

Like the start of the January, a lot of action will continue to take place in yield curves, a tricky period for fixed income investing. However, opportunity exists for active managers to take advantage of mispricings.

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	4663	-0.29	-2.11	-2.11	24.59	90.24
Dow Jones 30	35912	-0.88	-1.13	-1.13	18.03	60.35
Russell 2000	5374	-0.79	-3.67	-3.67	1.33	56.70
Russell 1000 Growth	1918	-0.88	-5.65	-5.65	21.16	120.30
Russell 1000 Value	1032	0.15	0.97	0.97	21.75	58.97
MSCI EAFE	2333	0.18	-0.11	-0.11	8.51	43.27
MSCI EM	1257	2.58	2.09	2.09	-5.98	36.99
NASDAQ	14894	-0.28	-4.79	-4.79	14.32	121.36

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	2.05	-0.29	-1.82	-1.82	-2.47	12.84
U.S. Corporates	2.65	-0.44	-2.37	-2.37	-2.12	21.15
Municipals (10yr)	1.24	-0.24	-0.96	-0.96	0.04	13.12
High Yield	5.07	0.07	-0.87	-0.87	4.04	24.05

Key Rates	Levels (%)					
	1/14/22	1/7/22	12/31/21	12/31/21	1/14/21	1/14/19
2-yr U.S. Treasuries	0.99	0.87	0.73	0.73	0.16	2.53
10-yr U.S. Treasuries	1.78	1.76	1.52	1.52	1.15	2.71
30-yr U.S. Treasuries	2.12	2.11	1.90	1.90	1.88	3.06
10-yr German Bund	-0.06	-0.05	-0.18	-0.18	-0.55	0.19
3-mo. LIBOR	0.24	0.24	0.21	0.21	0.23	2.78
3-mo. EURIBOR	-0.57	-0.58	-0.57	-0.57	-0.55	-0.31
6-mo. CD rate	0.14	0.14	0.14	0.14	0.19	0.69
30-yr fixed mortgage	3.52	3.52	3.33	3.33	2.88	4.74
Prime Rate	3.25	3.25	3.25	3.25	3.25	5.50

Index Characteristics			
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
20.75	4.71	1.26	85.65
18.66	4.85	1.75	383.49
22.50	2.40	0.96	1.69
28.75	12.95	0.66	63.08
16.22	2.71	1.80	37.34
15.06	1.87	2.51	28.32
12.62	1.86	2.38	19.08
29.95	6.45	0.62	7.47

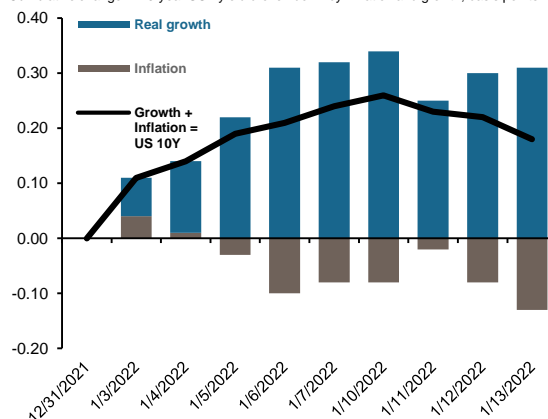
Currencies	Levels		
	1/14/22	12/31/21	1/14/21
\$ per €	1.14	1.14	1.21
\$ per £	1.37	1.35	1.37
¥ per \$	113.79	115.16	103.83

Commodities	Levels		
	1/14/22	12/31/21	1/14/21
Oil (WTI)	83.82	75.33	53.47
Gasoline	3.30	3.28	2.32
Natural Gas	4.26	3.82	2.82
Gold	1823	1806	1842
Silver	23.10	23.09	25.25
Copper	9900	9692	8003
Corn	5.86	5.86	5.19
BBG Idx	221.15	211.80	173.39

Chart of the Week

Rising real yields pushing up nominal rates.

Cumulative change in 10-year UST yield broken down by inflation and growth, basis points

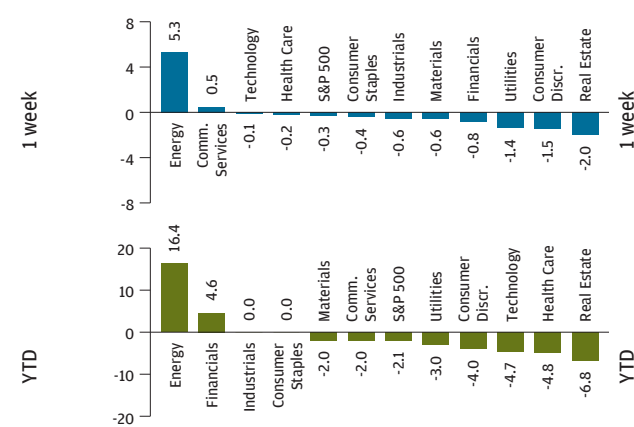


STYLE RETURNS

	V	B	G
L	0.2	-0.3	-0.9
M	-0.1	-0.8	-2.1
S	0.3	-0.8	-2.0

	V	B	G
L	1.0	-2.1	-5.7
M	-0.2	-3.5	-9.5
S	0.4	-3.7	-7.7

S&P 500 SECTOR RETURNS



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Chart of the Week: Source: Bloomberg, J.P. Morgan Asset Management.

Thought of the week: Source: Bloomberg, 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: Bloomberg US Aggregate; provided by: Bloomberg Capital. Index: Bloomberg Investment Grade Credit; provided by: Bloomberg Capital. Index: Bloomberg Municipal Bond 10 Yr; provided by: Bloomberg Capital. Index: Bloomberg Capital High Yield Index; provided by: Bloomberg 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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