

MARKET INSIGHTS

# Weekly Market Recap

U.S. | June 12, 2017

## The week in review

- Job openings increased to 6,044K
- Markit Services PMI decreased to 53.6

## The week ahead

- CPI
- Retail sales
- FOMC meeting

## Thought of the week

U.S. equities have outperformed their international counterparts in both developed (DM) and emerging (EM) markets by over 100% since March 2009. This outperformance has been grounded in better economic and earnings momentum in the U.S. following the financial crisis, and more recently, due to a strengthening U.S. dollar. Meanwhile, emerging markets have been held back by falling commodity prices and depreciating currencies, while Europe experienced a double-dip recession as a result of the European debt crisis. However, this narrative has started to change. Data out of the eurozone has been surprising to the upside, with the final estimate of 1Q GDP being revised up last week to an annual rate of 2.3% and the May Markit Manufacturing PMI hitting a six-year high. Things in Japan also appear to be turning around, with industrial production recently hitting its highest level since 2008 and unemployment falling to a mere 2.8%. Finally, EM economies are seeing an improvement in earnings, which is being boosted by healthier global trade dynamics and stronger domestic fundamentals in many economies. Along with the improvement in economic and earnings momentum in these international economies, valuations look attractive relative to the U.S., providing another tailwind for potential returns. In sum, this combination of an improving earnings outlook, weaker U.S. dollar, attractive valuations and a pickup in economic momentum all point to a world of opportunity outside of the U.S.

### WEEKLY DATA CENTER

Equities	Level	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
S&P 500	2432	-0.27	3.34	9.61	17.38	32.76
Dow Jones 30	21272	0.33	3.51	8.89	21.32	35.37
Russell 2000	3533	1.18	2.79	5.33	22.08	26.12
Russell 1000 Growth	792.51	-1.28	5.16	14.53	19.46	38.57
Russell 1000 Value	704.71	0.73	1.33	4.65	15.19	24.73
MSCI EAFE	1893	-1.16	6.79	14.68	16.63	5.38
MSCI EM	1018	0.36	6.70	18.96	24.90	5.28
NASDAQ	6208	-1.53	5.26	15.92	26.67	48.37

Fixed Income	Yield	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	2.49	-0.15	1.59	2.42	0.76	8.46
U.S. Corporates	3.18	-0.19	2.35	3.60	3.11	11.91
Municipals (10yr)	2.06	-0.02	2.88	4.71	1.23	12.03
High Yield	6.00	-0.09	2.16	4.92	12.43	14.57

Key Rates	Levels (%)					
	6/9/17	6/2/17	3/31/17	12/30/16	6/9/16	6/9/14
2-yr U.S. Treasuries	1.35	1.28	1.27	1.20	0.77	0.43
10-yr U.S. Treasuries	2.21	2.15	2.40	2.45	1.68	2.62
30-yr U.S. Treasuries	2.86	2.80	3.02	3.06	2.48	3.45
10-yr German Bund	0.26	0.27	0.33	0.20	0.03	1.38
3-mo. LIBOR	1.24	1.22	1.15	1.00	0.66	0.23
3-mo. EURIBOR	-0.33	-0.33	-0.33	-0.32	-0.26	0.26
6-mo. CD rate	0.40	0.40	0.38	0.34	0.33	0.36
30-yr fixed mortgage	4.14	4.14	4.34	4.39	3.83	4.34
Prime Rate	4.00	4.00	4.00	3.75	3.50	3.25

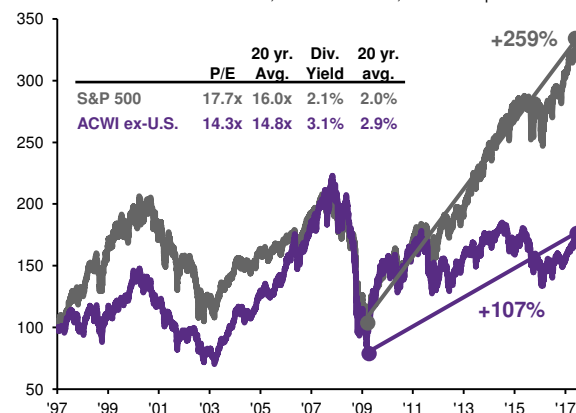
Index Characteristics			
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
17.65	3.02	1.99	44.92
16.74	3.58	2.25	N/A
24.10	2.13	1.51	1.25
20.18	5.74	1.60	23.26
15.86	1.99	2.65	28.34
14.94	1.63	3.03	19.99
12.48	1.58	2.39	13.54
22.95	3.79	1.03	4.22

Currencies	Levels		
	6/9/17	12/30/16	6/9/16
\$ per €	1.12	1.05	1.13
\$ per £	1.27	1.24	1.45
¥ per \$	110.68	116.64	106.47

Commodities	Levels		
	6/9/17	12/30/16	6/9/16
Oil (WTI)	45.83	53.75	50.52
Gasoline	2.41	2.31	2.38
Natural Gas	2.98	3.71	2.34
Gold	1267	1146	1264
Silver	17.35	16.24	17.05
Copper	5739	5501	4546
Corn	3.55	3.33	4.14
BBG Idx	167.18	176.94	181.35

### CHART OF THE WEEK

There are many arguments in favor of international stocks  
S&P 500 & MSCI AC World ex-U.S., Dec. 1996 = 100, U.S. dollar price return

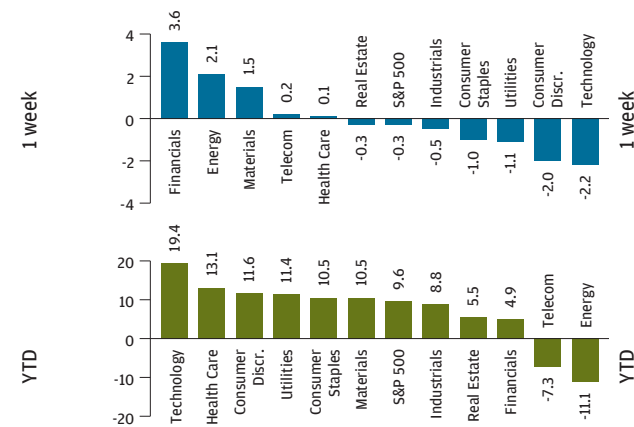


### STYLE RETURNS

	V	B	G
L	0.7	-0.3	-1.3
M	0.2	-0.4	-1.2
S	2.3	1.2	0.1

	V	B	G
L	4.6	9.6	14.5
M	5.0	7.9	11.6
S	1.6	5.3	9.5

### S&P 500 SECTOR RETURNS



Please see important disclosure on next page.

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*Chart of the Week:* Source: MSCI, Standard & Poor's, FactSet, J.P. Morgan Asset Management.

*Thought of the week:* Source: MSCI, Standard & Poor's, 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).

**Past performance does not guarantee future results.**

## **Diversification does not guarantee investment returns and does not eliminate the risk of loss.**

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Unless otherwise stated, all data is as of June 12, 2017 or as of most recently available.