

MARKET INSIGHTS

Weekly Market Recap

U.S. | December 3, 2018

The week in review

- Case-Shiller/FHFA HPI: 0.3%/0.2% m/m
- Consumer confidence at 135.7
- Second est. 3Q18 GDP at 3.5% q/q saar
- Trade deficit widened to -\$77.2bn
- New home sales at 544k
- PCE/Core PCE at 2.0%/1.8% y/y

The week ahead

- Markit/ISM mfg. PMI
- Markit/ISM non-mfg. PMI
- ADP employment report
- Employment situation
- Light vehicle sales

Thought of the week

Through the third quarter, the value of all U.S. goods and services increased by \$829 billion on the back of fiscal stimulus, which increased both government spending and household consumption. While we expect the fourth quarter to exceed 3% year-over-year growth, recent data suggest that the growth tailwinds of 2018 may weaken next year. Looking at the year-to-date contributions to GDP, shown in this week's chart, it is possible to highlight areas of concern. In October, new durable goods orders, a proxy for business capital investment, fell -4.4% from last month following a downward revision in September. Housing showed further signs of softening, with new home sales down 12% from a year ago. Consumer spending, however, grew at a healthy pace in October alongside rising personal incomes, a dynamic that should persist as the unemployment rate continues to decline. All of this considered, we expect growth to moderate to a more normal 2% pace next year. Moreover, the recent decline in oil prices and cooling inflation should keep bond yields contained. This, in turn, suggests a more cautious Fed in 2019. Investors should prepare for more moderate growth in the year ahead, shifting to more high-quality duration within fixed income and maintaining a slight overweight to stocks.

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	2760	4.91	-4.94	5.11	6.27	41.11
Dow Jones 30	25538	5.32	-2.98	5.59	7.62	55.19
Russell 2000	3811	3.04	-9.44	0.98	0.57	33.39
Russell 1000 Growth	951.90	6.09	-7.98	7.75	8.59	48.03
Russell 1000 Value	748.88	3.64	-2.35	1.48	2.96	32.43
MSCI EAFE	1810	0.97	-8.06	-8.96	-7.48	14.55
MSCI EM	994.72	2.65	-4.93	-11.96	-8.75	32.41
NASDAQ	7331	5.66	-8.72	7.24	7.75	48.45

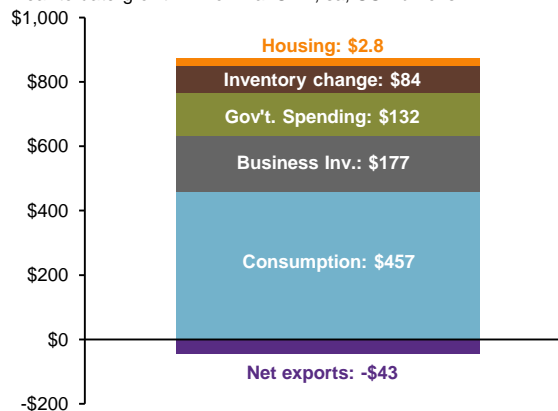
Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	3.55	0.13	-0.20	-1.79	-1.34	4.04
U.S. Corporates	4.37	-0.20	-1.62	-3.92	-3.04	7.65
Municipals (10yr)	2.73	0.64	0.71	0.05	1.25	6.60
High Yield	7.33	0.44	-2.45	0.06	0.36	22.82

Key Rates	Levels (%)					
	11/30/18	11/23/18	9/28/18	12/29/17	11/30/17	11/30/15
2-yr U.S. Treasuries	2.80	2.81	2.81	1.89	1.78	0.94
10-yr U.S. Treasuries	3.01	3.05	3.05	2.40	2.42	2.21
30-yr U.S. Treasuries	3.30	3.31	3.19	2.74	2.83	2.98
10-yr German Bund	0.31	0.33	0.47	0.43	0.37	0.47
3-mo. LIBOR	2.74	2.69	2.40	1.69	1.49	0.42
3-mo. EURIBOR	-0.32	-0.32	-0.32	-0.33	-0.33	-0.11
6-mo. CD rate	0.68	0.68	0.66	0.48	0.45	0.34
30-yr fixed mortgage	5.12	5.12	4.96	4.22	4.20	4.12
Prime Rate	5.25	5.25	5.25	4.50	4.25	3.25

CHART OF THE WEEK

Components of GDP

Year-to-date growth in nominal GDP, sa, USD billions

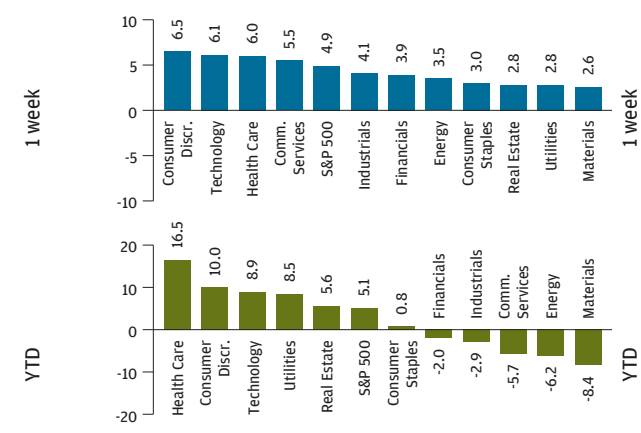


STYLE RETURNS

	V	B	G
L	3.6	4.9	6.1
M	2.7	3.5	4.7
S	2.2	3.0	3.9

	V	B	G
L	1.5	5.1	7.8
M	-2.0	1.0	4.8
S	-0.9	1.0	2.7

S&P 500 SECTOR RETURNS



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Chart of the Week: Source: BEA, FactSet, J.P. Morgan Asset Management. Data are as of November 30, 2018.

Thought of the week: Source: BEA, FactSet, J.P. Morgan Asset Management. Data are as of November 30, 2018.

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 December 3, 2018 or as of most recently available.

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