

## MARKET INSIGHTS

## Weekly Market Recap

U.S. | March 5, 2018

## The week in review

- 4Q GDP revised down to +2.5% q/q ann.
- PCE/Core PCE rose +1.7%/+1.5% y/y
- New home sales slowed to 593K
- Pending home sales fell -4.7% m/m
- Durable goods orders fell -3.7% m/m
- FHFA/Case-Shiller HPI up +0.3%/+0.6%
- Cons. conf./sent. at 130.8/99.7
- Markit PMI fell to 55.3
- ISM mfg. PMI rose to 60.8

## The week ahead

- ADP Report/Employment Situation
- ISM non-mfg. index
- International trade
- Jobless claims

## Thought of the week

Jerome Powell addressed Congress for the first time as Chairman of the Federal Reserve last week. In his semiannual monetary policy testimony, he acknowledged the continued strength of the U.S. economy, citing healthy labor market dynamics and gradually firming inflation. Additionally, he affirmed his commitment to continue reducing the Fed's balance sheet and gradually increasing short-term interest rates. At the last press conference in December, the median Fed dot plot suggested three rate hikes in 2018. Following Powell's remarks, particularly those about improving economic data since the last meeting, the market expectation has increased to four rate hikes this year. Moreover, as this week's chart shows, the makeup of the Federal Reserve voting committee this year is expected to be more hawkish than in 2017: three doves have left the FOMC and a high number of vacancies may be filled by more hawkish prospects. Therefore, it's likely the FOMC will have a more aggressive stance towards monetary policy than in past years. Given this, investors should be positioned for rates that may move higher faster than anticipated and increased volatility in bond markets.

## WEEKLY DATA CENTER

Equities	Level	Index Returns (%)					
		1 week	QTD	YTD	1 year	3-yr. Cum.	
S&P 500	2691	-1.98	1.01	1.01	15.23	35.34	
Dow Jones 30	24538	-2.97	-0.30	-0.30	19.59	44.63	
Russell 2000	3810	-1.00	0.01	0.01	11.31	28.70	
Russell 1000 Growth	923.15	-1.83	3.48	3.48	24.21	43.98	
Russell 1000 Value	739.25	-1.93	-1.67	-1.67	6.36	24.77	
MSCI EAFE	2005	-2.86	-1.95	-1.95	17.53	17.33	
MSCI EM	1182	-2.80	2.23	2.23	29.50	29.63	
NASDAQ	7258	-1.05	5.33	5.33	25.16	50.06	

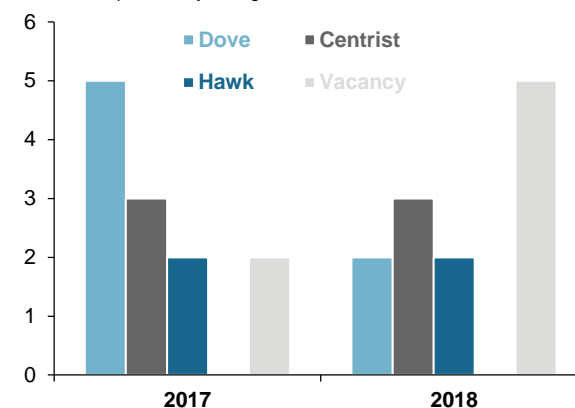
Fixed Income	Yield	Levels (%)					
		1 week	QTD	YTD	1 year	3-yr. Cum.	
U.S. Aggregate	3.16	0.02	-2.11	-2.11	1.19	3.80	
U.S. Corporates	3.75	-0.22	-2.81	-2.81	2.68	7.44	
Municipals (10yr)	2.65	0.05	-1.89	-1.89	2.96	6.77	
High Yield	6.46	-0.20	-0.74	-0.74	3.43	15.78	

Key Rates	Levels (%)					
	3/2/18	2/23/18	12/29/17	12/29/17	3/2/17	3/2/15
2-yr U.S. Treasuries	2.25	2.25	1.89	1.89	1.32	0.66
10-yr U.S. Treasuries	2.86	2.88	2.40	2.40	2.49	2.08
30-yr U.S. Treasuries	3.14	3.16	2.74	2.74	3.09	2.68
10-yr German Bund	0.65	0.65	0.43	0.43	0.31	0.31
3-mo. LIBOR	2.03	1.96	1.69	1.69	1.10	0.26
3-mo. EURIBOR	-0.33	-0.33	-0.33	-0.33	-0.33	0.04
6-mo. CD rate	0.53	0.53	0.48	0.48	0.38	0.40
30-yr fixed mortgage	4.64	4.64	4.25	4.25	4.30	3.96
Prime Rate	4.50	4.50	4.50	4.50	3.75	3.25

## CHART OF THE WEEK

## A more aggressive Fed is likely in 2018

FOMC composition by voting bias



## STYLE RETURNS

	V	B	G
L	-1.9	-2.0	-1.8
M	-2.0	-1.7	-1.4
S	-1.7	-1.0	-0.4

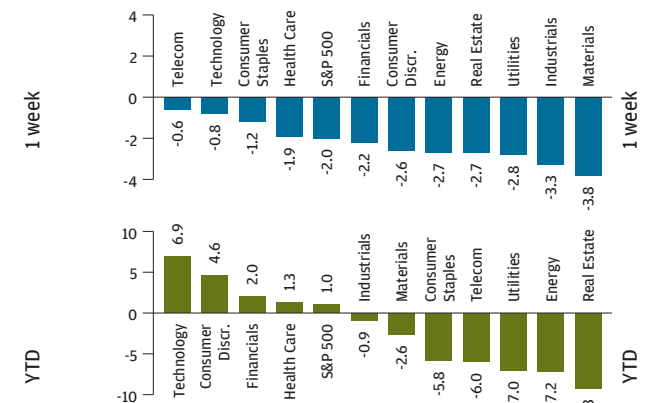
	V	B	G
L	-1.7	1.0	3.5
M	-2.8	-0.6	2.3
S	-2.6	0.0	2.4

	Index Characteristics			
	NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
	16.76	3.27	1.92	49.27
	16.33	4.02	2.12	N/A
	22.52	2.08	1.51	1.28
	20.05	6.73	1.60	23.93
	14.52	2.05	2.65	33.95
	13.81	1.68	3.05	21.33
	12.31	1.74	2.28	15.84
	22.03	4.39	1.00	4.89

Currencies	Levels		
	3/2/18	12/29/17	3/2/17
\$ per €	1.23	1.20	1.05
\$ per £	1.38	1.35	1.23
¥ per \$	105.48	112.65	114.40

Commodities	Levels		
	3/2/18	12/29/17	3/2/17
Oil (WTI)	61.24	60.46	52.63
Gasoline	2.55	2.47	2.31
Natural Gas	2.63	3.69	2.59
Gold	1322	1291	1238
Silver	16.45	16.87	18.33
Copper	6883	7157	5994
Corn	3.60	3.19	3.58
BBG Idx	180.39	179.96	176.03

## S&amp;P 500 SECTOR RETURNS



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*Chart of the Week:* Source: Federal Reserve, J.P. Morgan Asset Management. Data are as of March 1, 2018.

*Thought of the week:* Source: Federal Reserve, J.P. Morgan Asset Management. Data are as of March 1, 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 March 5, 2018 or as of most recently available.