

## MARKET INSIGHTS

## Weekly Market Recap

U.S. | April 16, 2018

## The week in review

- CPI/PPI at 2.4% y/y / 3.0% y/y
- Jobless claims at 233k
- Import prices up 3.6% y/y
- Prelim. cons. sentiment at 97.8
- Job openings at 6.052M

## The week ahead

- Retail sales
- Housing starts
- Industrial production
- Jobless claims
- NY & Philly Fed business outlook

## Thought of the week

The 1Q18 earnings season is set to kick into high gear this week with 60 S&P 500 companies scheduled to report. Current consensus EPS estimates are calling for year-over-year earnings growth of 24%, with particular strength in the technology, financials, energy and telecom sectors. This quarter marks the first time that companies will report under the new tax regime, which will provide a one-time boost to earnings across all sectors; since the start of the year, 2018 earnings estimates have been revised up 7.2% as the full impact of the Tax Cuts and Jobs Act has been digested. However, and as shown in this week's chart, S&P 500 net earnings revisions, which are based on the number of companies in the S&P 500 that have had a change up or down in analyst earnings estimates compared to the month prior, have hit a local peak, but remain in positive territory. This suggests that while we may see a pause in upward earnings revisions, investors should not expect deterioration. Given this expectation for strong earnings growth, the U.S. equity market should continue to grind higher as the fundamentals outweigh the noise and negative headlines that have led to recent market volatility. Furthermore, while we expect volatility to persist this year, strong earnings should prevent ordinary corrections from becoming more severe.

Please see important disclosure on next page.

## WEEKLY DATA CENTER

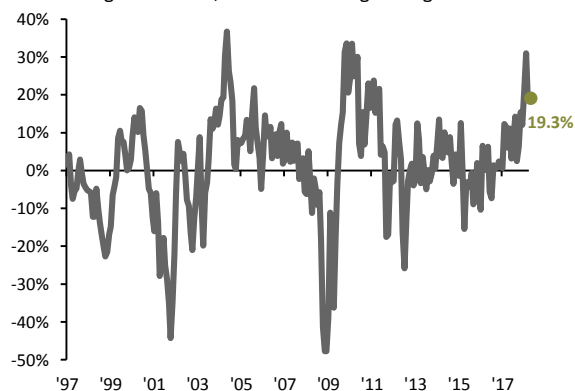
Equities	Level	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
S&P 500	2656	2.04	0.66	-0.10	16.32	35.16
Dow Jones 30	24360	1.80	1.12	-0.87	21.90	46.07
Russell 2000	3851	2.41	1.34	1.26	16.69	27.70
Russell 1000 Growth	908.53	2.13	0.57	1.99	23.36	42.96
Russell 1000 Value	733.01	1.80	0.61	-2.24	9.32	24.88
MSCI EAFE	2042	1.49	2.00	0.56	18.32	18.64
MSCI EM	1170	0.74	0.01	1.47	24.70	21.81
NASDAQ	7107	2.77	0.64	3.24	23.73	47.52

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	3.19	-0.18	-0.23	-1.69	0.04	3.25
U.S. Corporates	3.80	-0.06	-0.04	-2.35	1.49	6.72
Municipals (10yr)	2.63	0.21	0.26	-1.35	1.72	6.81
High Yield	6.31	0.79	1.09	0.22	4.53	16.47

Key Rates	Levels (%)					
	4/13/18	4/6/18	3/30/18	12/29/17	4/13/17	4/13/15
2-yr U.S. Treasuries	2.37	2.27	2.27	1.89	1.21	0.54
10-yr U.S. Treasuries	2.82	2.77	2.74	2.40	2.24	1.94
30-yr U.S. Treasuries	3.03	3.01	N/A	2.74	2.89	2.58
10-yr German Bund	0.51	0.50	0.49	0.43	0.19	0.16
3-mo. LIBOR	2.35	2.34	2.31	1.69	1.16	0.28
3-mo. EURIBOR	-0.33	-0.33	-0.33	-0.33	-0.33	0.01
6-mo. CD rate	0.54	0.54	0.54	0.48	0.38	0.36
30-yr fixed mortgage	4.66	4.66	4.69	4.25	4.28	3.87
Prime Rate	4.75	4.75	4.75	4.50	4.00	3.25

## CHART OF THE WEEK

**S&P 500 earnings revisions remain solidly in positive territory**  
Net earnings revisions\*, 2-month moving average



## STYLE RETURNS

	V	B	G
L	1.8	2.0	2.1
M	1.2	1.4	1.7
S	1.9	2.4	2.8

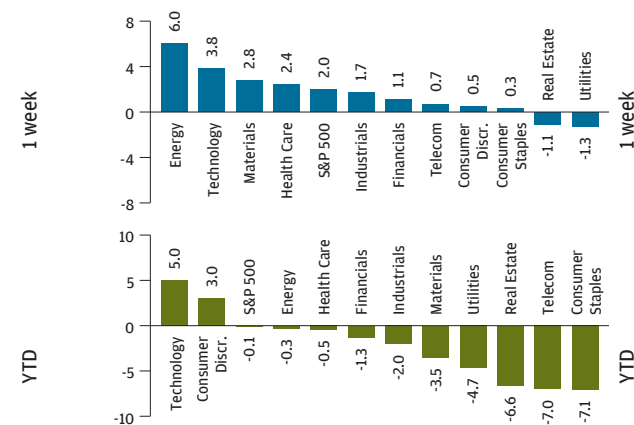
	V	B	G
L	-2.2	-0.1	2.0
M	-2.4	-0.6	1.7
S	-1.3	1.3	3.7

Index Characteristics	Levels		
	NTM P/E	P/B	Div. Yld.
	16.38	3.23	1.95
	15.99	3.97	2.14
	22.52	0.59	1.51
	19.46	6.59	1.60
	14.21	2.03	2.65
	13.88	1.65	3.16
	12.10	1.72	2.36
	21.31	4.32	1.05

Currencies	Levels		
	4/13/18	12/29/17	4/13/17
\$ per €	1.23	1.20	1.06
\$ per £	1.42	1.35	1.25
¥ per \$	107.52	112.65	109.24

Commodities	Levels		
	4/13/18	12/29/17	4/13/17
Oil (WTI)	67.34	60.46	53.19
Gasoline	2.69	2.47	2.42
Natural Gas	2.77	3.69	3.00
Gold	1344	1291	1284
Silver	16.51	16.87	18.56
Copper	6830	7157	5655
Corn	3.60	3.19	3.52
BBG Idx	183.06	179.96	174.80

## S&amp;P 500 SECTOR RETURNS



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*Chart of the Week:* Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management. \*Net earnings revisions are based on the current unreported year and are calculated as: (# of companies with upward earnings revisions - # of companies with downwards earnings revisions) / total # of companies.

*Thought of the week:* Source: FactSet, Standard & Poor's, 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 April 16, 2018 or as of most recently available.