

MARKET INSIGHTS

Weekly Market Recap

U.S. | July 2, 2018

The week in review

- Durable goods orders fell -0.6% m/m
- Cons. confidence at 126.4
- Cons. sentiment at 98.2
- Final est. 1Q18 GDP at 2.0% q/q saar
- PCE/Core PCE at 2.3%/2.0% y/y
- New home sales at 689K

The week ahead

- Markit/ISM Mfg. PMI
- Motor vehicle sales
- ADP/BLS employment report
- International trade

Thought of the week

Despite an expectation for solid global profit growth this year, markets remained volatile in the second quarter as geopolitics dominated the headlines. Trade tensions and a stronger dollar took center stage, which led the more domestically focused U.S. small cap sector to a second quarter return of 7.5%, significantly outperforming their large cap peers' 2.7% return. International equities struggled in 2Q as data in developed markets (DM) remained soft, leading developed equity markets excluding the U.S. to fall -1.3% in the second quarter. Furthermore, a stronger U.S. dollar and protectionist rhetoric led emerging markets (EM) to decline -9.3%, making it the worst performing region of the global equity market in 2Q. Turning to fixed income, the Federal Reserve (Fed) raised the federal funds rate for the second time this year, revised its forecasts for rate hikes this year from three to four and continued to forecast three rate hikes next year. Given this backdrop of steady policy normalization and rising rates, fixed income markets were challenged, as core U.S. fixed income returned -0.1% and global high yield returned -2.0%. Looking ahead, we expect volatility will persist in global markets, but that the path of least resistance for risk assets remains higher. That said, volatility is normal and should be expected, and our preferred investment approach remains one of balance.

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	2718	-1.31	0.00	2.65	14.56	40.61
Dow Jones 30	24271	-1.26	0.00	-0.73	16.65	48.64
Russell 2000	4083	-2.46	0.00	7.66	17.50	37.43
Russell 1000 Growth	952.67	-1.72	0.00	7.25	22.76	52.65
Russell 1000 Value	733.29	-1.02	0.00	-1.69	6.91	27.10
MSCI EAFE	1959	-1.03	0.00	-2.37	6.66	16.31
MSCI EM	1070	-1.41	0.00	-6.51	8.25	20.68
NASDAQ	7510	-2.36	0.00	9.37	23.53	56.81

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	3.29	0.34	0.00	-1.62	-0.54	5.28
U.S. Corporates	4.02	0.37	0.00	-3.27	-0.97	9.55
Municipals (10yr)	2.63	0.11	0.00	-0.72	0.83	8.72
High Yield	6.66	-0.53	0.00	0.16	2.65	17.56

Key Rates	Levels (%)					
	6/29/18	6/22/18	6/29/18	12/29/17	6/29/17	6/29/15
2-yr U.S. Treasuries	2.52	2.56	2.52	1.89	1.38	0.64
10-yr U.S. Treasuries	2.85	2.90	2.85	2.40	2.27	2.33
30-yr U.S. Treasuries	2.98	3.04	2.98	2.74	2.82	3.09
10-yr German Bund	0.30	0.33	0.30	0.43	0.45	0.80
3-mo. LIBOR	2.34	2.34	2.34	1.69	1.30	0.28
3-mo. EURIBOR	-0.32	-0.32	N/A	-0.33	-0.33	-0.02
6-mo. CD rate	0.58	0.57	0.58	0.48	0.42	0.37
30-yr fixed mortgage	4.84	4.84	4.84	4.25	4.13	4.26
Prime Rate	5.00	5.00	N/A	4.50	4.25	3.25

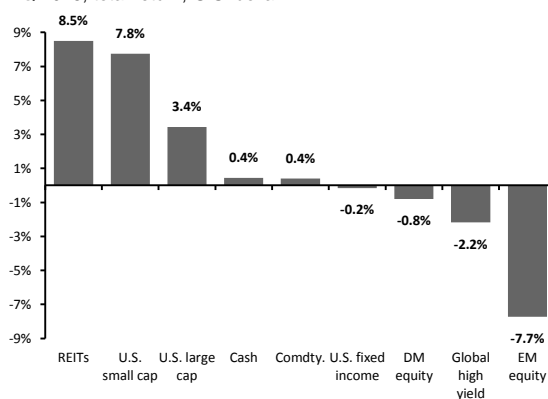
Index Characteristics			
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
16.14	3.21	1.95	49.66
15.10	3.87	2.14	N/A
21.93	2.08	N/A	1.29
20.32	6.82	N/A	25.13
13.76	2.02	N/A	33.78
13.62	1.64	3.17	20.87
11.34	1.68	2.58	14.53
21.59	4.36	1.01	4.97

Currencies	Levels		
	6/29/18	12/29/17	6/29/17
\$ per €	1.17	1.20	1.14
\$ per £	1.32	1.35	1.30
¥ per \$	110.77	112.65	112.59

Commodities	Levels		
	6/29/18	12/29/17	6/29/17
Oil (WTI)	74.13	60.46	44.88
Gasoline	2.83	2.47	2.29
Natural Gas	2.90	3.69	3.07
Gold	1250	1291	1244
Silver	16.03	16.87	16.83
Copper	6646	7157	5906
Corn	3.23	3.19	3.30
BBG Idx	179.95	179.96	165.05

CHART OF THE WEEK

U.S. risk assets outperformed their international peers in 2Q 2Q 2018, total return, U.S. dollar

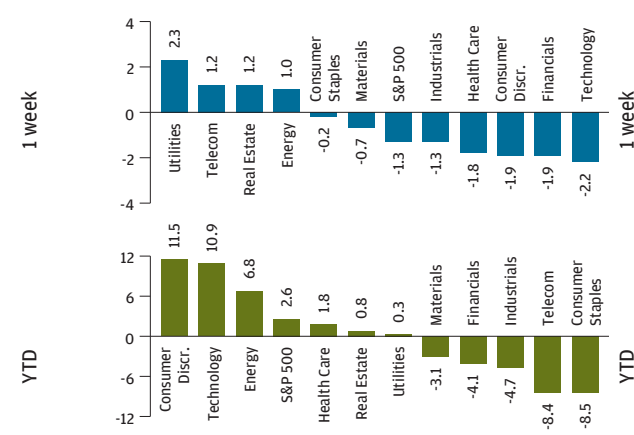


STYLE RETURNS

	V	B	G
L	-1.0	-1.3	-1.7
M	-1.0	-1.6	-2.4
S	-2.1	-2.5	-2.8

	V	B	G
L	-1.7	2.6	7.3
M	-0.2	2.3	5.4
S	5.4	7.7	9.7

S&P 500 SECTOR RETURNS



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Chart of the Week: Source: Barclays, Bloomberg, FactSet, MSCI, NAREIT, FTSE Russell, Standard and Poor's, J.P. Morgan Asset Management.

Thought of the week: Source: Barclays, Bloomberg, FactSet, MSCI, NAREIT, FTSE Russell, Standard and 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).

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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 July 2, 2018 or as of most recently available.