

MARKET INSIGHTS

Weekly Market Recap

U.S. | September 25, 2017

The week in review

- HMI fell to 64
- Housing starts rose to 1.18m
- Existing home sales down to 5.35m
- Jobless claims fell to 259k
- Fed held rates unchanged at 1%-1.25%
- Flash PMI composite slid to 54.6

The week ahead

- New home sales
- Durable goods orders
- Final Real GDP estimate
- International trade
- Jobless claims
- Personal consumption

Thought of the week

The Federal Reserve's (Fed) decisions and communications last week were largely as expected, with no change in short-term rates and confirmation that the Fed's balance sheet normalization plan will commence in October, following the path laid out at the June FOMC meeting. The committee cited continued strength in the labor market and moderate economic growth as the deciding factors. With regards to interest rates, FOMC participants continue to expect one more federal funds rate hike this year (likely in December) and three additional hikes in 2018. The longer-run estimates were revised a little bit lower, with 20bps shaved off of 2019 and the long-run estimate moving from 3.0% to 2.8%. While today's meeting was largely as expected, the path laid out for interest rates and the balance sheet, combined with a weaker dollar, the potential for a more expansionary fiscal policy and tighter central banks overseas, should apply more upward pressure on long-term bond yields than seems priced into the market, as shown in this week's chart. In the end, the Fed's communications suggest a more hawkish path of policy actions despite the dovish tone and careful wording of the Fed Chair's comments.

WEEKLY DATA CENTER

Equities	Level	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
S&P 500	2502	0.09	3.74	13.43	17.33	33.67
Dow Jones 30	22350	0.36	5.32	15.17	24.57	40.39
Russell 2000	3606	1.35	2.76	7.89	16.41	34.00
Russell 1000 Growth	826.31	-0.20	5.18	19.90	20.41	41.24
Russell 1000 Value	716.19	0.53	2.32	7.09	14.05	24.83
MSCI EAFE	1978	0.70	5.45	20.46	18.09	15.07
MSCI EM	1102	0.03	10.04	30.51	22.85	14.92
NASDAQ	6427	-0.33	4.92	20.36	21.74	47.08

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	2.53	-0.15	0.95	3.24	0.31	8.62
U.S. Corporates	3.17	-0.02	1.27	5.12	2.37	12.66
Municipals (10yr)	2.08	-0.18	1.41	5.65	1.36	11.42
High Yield	6.00	0.21	1.67	6.69	9.06	16.80

Key Rates	Levels (%)					
	9/22/17	9/15/17	6/30/17	12/30/16	9/22/16	9/22/14
2-yr U.S. Treasuries	1.46	1.39	1.38	1.20	0.79	0.58
10-yr U.S. Treasuries	2.26	2.20	2.31	2.45	1.63	2.57
30-yr U.S. Treasuries	2.80	2.77	2.84	3.06	2.34	3.28
10-yr German Bund	0.45	0.43	0.46	0.20	-0.10	0.96
3-mo. LIBOR	N/A	1.32	1.30	1.00	0.86	0.24
3-mo. EURIBOR	-0.33	-0.33	-0.33	-0.32	-0.30	0.08
6-mo. CD rate	0.44	0.40	0.42	0.34	0.33	0.35
30-yr fixed mortgage	4.04	4.04	4.20	4.39	3.70	4.39
Prime Rate	4.25	4.25	4.25	3.75	3.50	3.25

Index Characteristics			
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
17.70	3.07	1.98	45.91
17.18	3.65	2.14	N/A
24.73	2.11	1.51	1.20
20.63	6.14	1.60	23.10
15.85	2.01	2.65	31.12
14.76	1.65	3.11	20.91
12.76	1.66	2.33	14.78
-1.70	1.05	1.04	4.33

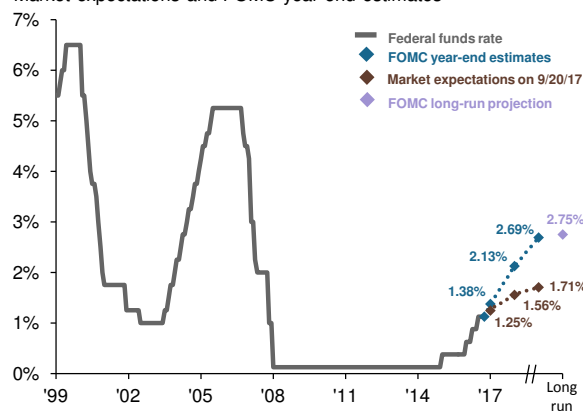
Currencies	Levels		
	9/22/17	12/30/16	9/22/16
\$ per €	1.20	1.05	1.12
\$ per £	1.35	1.24	1.31
¥ per \$	111.94	116.64	100.80

Commodities	Levels		
	9/22/17	12/30/16	9/22/16
Oil (WTI)	50.57	53.75	46.10
Gasoline	2.63	2.31	2.23
Natural Gas	3.11	3.71	3.18
Gold	1295	1146	1339
Silver	16.97	16.24	19.88
Copper	6405	5501	4816
Corn	3.21	3.33	3.10
BBG Idx	172.64	176.94	172.69

CHART OF THE WEEK

FOMC brings down long run projection

Market expectations and FOMC year-end estimates

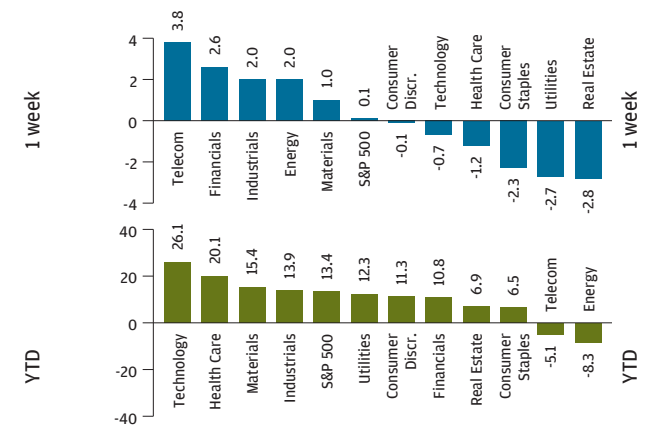


STYLE RETURNS

	V	B	G
L	0.5	0.1	-0.2
M	0.0	0.3	0.7
S	1.6	1.3	1.1

	V	B	G
L	7.1	13.4	19.9
M	6.1	10.5	16.3
S	2.6	7.9	13.8

S&P 500 SECTOR RETURNS



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Chart of the Week: Source: Bloomberg, Federal Reserve, FactSet, J.P. Morgan Asset Management. Market expectations are the federal funds rates priced into the fed futures market as of the date of the September 2017 FOMC meeting.

Thought of the week: Source: Bloomberg, Federal Reserve, 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).

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Unless otherwise stated, all data is as of September 25, 2017 or as of most recently available.