

MARKET INSIGHTS

# Weekly Market Recap

U.S. | July 30, 2018

## The week in review

- New / Existing home sales: 631K / 5.38M
- Durable goods new orders up +1.0%
- 2Q18 first estimate GDP at 4.1% q/q saar
- Final consumer sentiment at 97.9

## The week ahead

- PCE: Headline & core
- ADP/BLS employment reports
- ISM mfg. / non-mfg. PMIs
- International trade balance

## Thought of the week

The U.S. economy surged in 2Q18, with preliminary data showing +4.1% q/q saar GDP growth. While consumer spending was expectedly the largest contributor, some may be surprised that another component had an outsized effect: trade. As shown in this week's chart, a shifting trade balance contributed 1.1% to growth, compared to an expansion average of -0.3%. So what caused this? One possible answer relates to accounting: corporate tax reform has disincentivized U.S. multi-national corporations from claiming excess business in overseas markets with lower tax rates. As a result, goods that were formerly leased to offshore affiliates are now sold directly from the U.S., boosting exports and decreasing the trade deficit, resulting in a one-time adjustment to GDP and a temporary boost to growth. Moving forward, though, expectations should be tempered: consumption likely has little room left to run, with most pent-up demand exhausted; inventory normalization should provide a boost to 3Q growth but contribute little thereafter, as inventory management systems continue to advance; rising mortgage rates and home prices should put pressure on housing; and business investment, while promising given strong corporate profits and a friendly tax code, will likely remain depressed so long as geopolitical uncertainty persists. All in all, investors should remember that while the U.S. economy is healthy, it is not entering a new era of growth.

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	2819	0.61	3.80	6.55	16.10	45.10
Dow Jones 30	25451	1.57	4.98	4.22	19.43	57.23
Russell 2000	4134	-1.96	1.28	9.04	17.50	42.80
Russell 1000 Growth	987.51	-0.52	3.70	11.22	23.10	55.50
Russell 1000 Value	757.04	1.33	3.39	1.64	9.06	32.91
MSCI EAFE	2011	1.35	2.73	0.30	7.23	19.99
MSCI EM	1092	2.15	2.73	-3.96	4.93	32.70
NASDAQ	7737	0.41	4.58	14.38	24.33	61.29

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	3.36	-0.17	-0.03	-1.64	-0.72	4.67
U.S. Corporates	4.00	0.17	0.73	-2.57	-0.66	9.75
Municipals (10yr)	2.61	-0.15	0.34	-0.38	0.34	8.30
High Yield	6.56	0.32	0.92	1.08	2.46	20.29

Key Rates	Levels (%)					
	7/27/18	7/20/18	6/29/18	12/29/17	7/27/17	7/27/15
2-yr U.S. Treasuries	2.67	2.60	2.52	1.89	1.36	0.68
10-yr U.S. Treasuries	2.96	2.89	2.85	2.40	2.32	2.23
30-yr U.S. Treasuries	3.09	3.03	2.98	2.74	2.93	2.93
10-yr German Bund	0.41	0.35	0.30	0.43	0.54	0.65
3-mo. LIBOR	2.34	2.34	2.34	1.69	1.31	0.29
3-mo. EURIBOR	-0.32	-0.32	-0.32	-0.33	-0.33	-0.02
6-mo. CD rate	0.61	0.59	0.58	0.48	0.43	0.39
30-yr fixed mortgage	4.77	4.77	4.79	4.25	4.17	4.17
Prime Rate	5.00	5.00	5.00	4.50	4.25	3.25

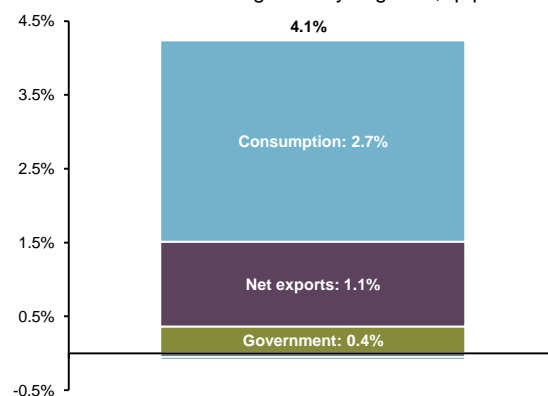
Index Characteristics			
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
16.53	3.27	1.78	51.52
15.61	3.94	2.05	N/A
21.78	2.09	1.21	1.31
20.77	6.97	1.10	26.00
14.05	2.06	2.35	35.17
13.90	1.66	3.17	21.41
11.57	1.68	2.58	14.70
21.96	4.44	0.96	5.11

Currencies	Levels		
	7/27/18	12/29/17	7/27/17
\$ per €	1.17	1.20	1.17
\$ per £	1.31	1.35	1.31
¥ per \$	110.98	112.65	111.61

Commodities	Levels		
	7/27/18	12/29/17	7/27/17
Oil (WTI)	68.67	60.46	49.05
Gasoline	2.83	2.47	2.31
Natural Gas	2.78	3.69	2.92
Gold	1224	1291	1261
Silver	15.36	16.87	16.79
Copper	6252	7157	6325
Corn	3.29	3.19	3.47
BBG Idx	174.93	179.96	171.08

### CHART OF THE WEEK

**Trade had an outsized effect on 2Q18 growth**  
Contribution to real GDP growth by segment, q/q saar

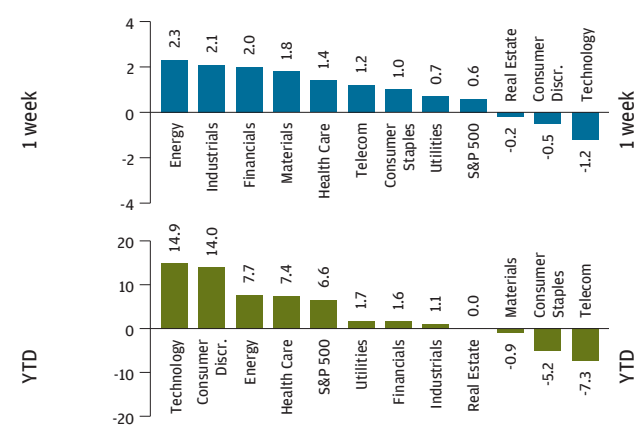


### STYLE RETURNS

	V	B	G
L	1.3	0.6	-0.5
M	0.4	-0.2	-1.1
S	-1.3	-2.0	-2.6

	V	B	G
L	1.6	6.6	11.2
M	2.0	4.8	8.5
S	6.5	9.0	11.4

### S&P 500 SECTOR RETURNS



# Weekly Market Recap

U.S. | July 30, 2018

*Chart of the Week:* Source: BEA, FactSet, J.P. Morgan Asset Management. Growth may not sum due to rounding.

*Thought of the week:* Source: BEA, 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).

**Past performance does not guarantee future results.**

## **Diversification does not guarantee investment returns and does not eliminate the risk of loss.**

Opinions and estimates offered constitute our judgment and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. We believe the information provided here is reliable, but do not warrant its accuracy or completeness. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The views and strategies described may not be suitable for all investors. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, accounting, legal or tax advice. References to future returns are not promises or even estimates of actual returns a client portfolio may achieve. Any forecasts contained herein are for illustrative purposes only and are not to be relied upon as advice or interpreted as a recommendation.

The price of equity securities may rise or fall because of changes in the broad market or changes in a company's financial condition, sometimes rapidly or unpredictably. International investing involves a greater degree of risk and increased volatility. There is no guarantee that companies that can issue dividends will declare, continue to pay, or increase dividends. Investments in commodities may have greater volatility than investments in traditional securities, particularly if the instruments involve leverage.

JPMorgan Distribution Services, Inc., member of FINRA.

J.P. Morgan Asset Management is the marketing name for the asset management businesses of JPMorgan Chase & Co. Those businesses include, but are not limited to, J.P. Morgan Investment Management Inc., Security Capital Research & Management Incorporated and J.P. Morgan Alternative Asset Management, Inc. and JPMorgan Asset Management (Canada) Inc.

©JPMorgan Chase & Co., July 2018.

Unless otherwise stated, all data is as of July 30, 2018 or as of most recently available.

0903c02a81dbac80