



# Guide to the Markets®

U.S. | 2Q 2023

As of March 31, 2023





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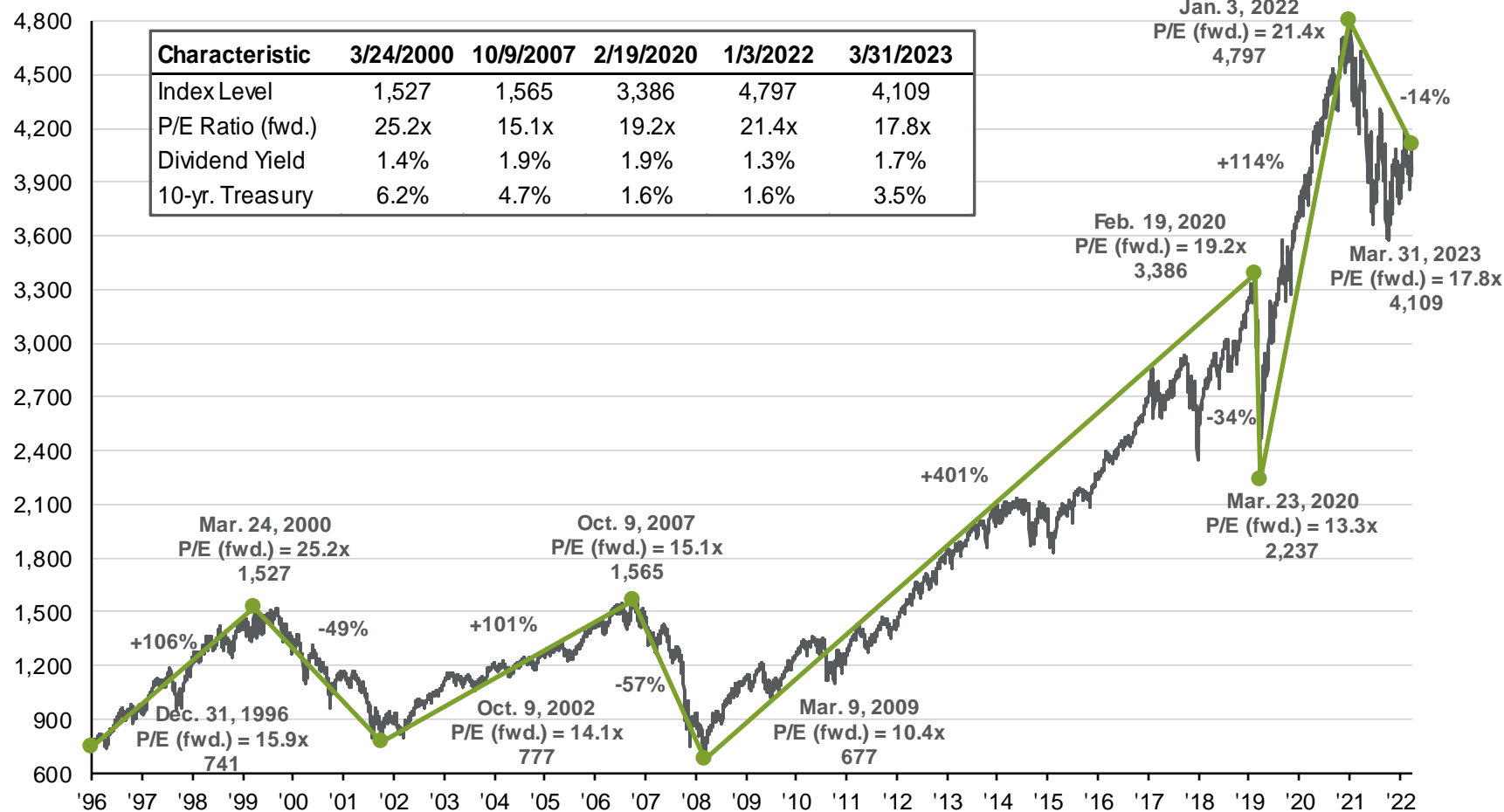
# S&P 500 Index at inflection points

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## S&P 500 Price Index



Source: Compustat, FactSet, Federal Reserve, Refinitiv Datastream, Standard & Poor's, J.P. Morgan Asset Management.

Dividend yield is calculated as consensus estimates of dividends for the next 12 months, divided by most recent price, as provided by Compustat. Forward price-to-earnings ratio is a bottom-up calculation based on IBES estimates and FactSet estimates since January 2022. Returns are cumulative and based on S&P 500 Index price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns.

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# S&P 500 valuation measures

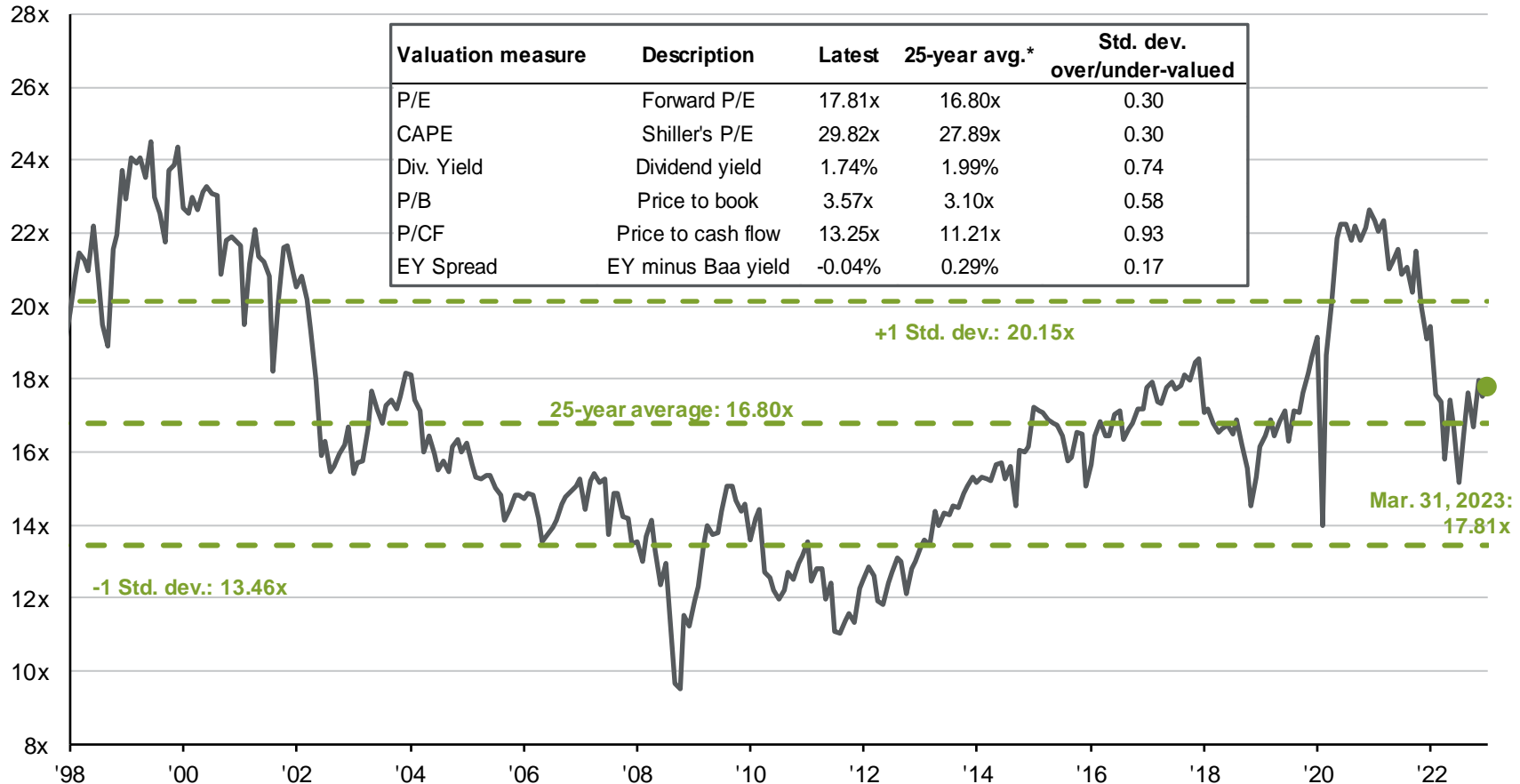
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Equities

## S&P 500 Index: Forward P/E ratio



Source: FactSet, FRB, Refinitiv Datastream, Robert Shiller, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management. Price-to-earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since March 1998 and by FactSet since January 2022. Current next 12-months consensus earnings estimates are \$228. Average P/E and standard deviations are calculated using 25 years of history. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as the next 12-months consensus dividend divided by most recent price. Price-to-book ratio is the price divided by book value per share. Price-to-cash flow is price divided by NTM cash flow. EY minus Baa yield is the forward earnings yield (consensus analyst estimates of EPS over the next 12 months divided by price) minus the Moody's Baa seasoned corporate bond yield. Std. dev. over-/under-valued is calculated using the average and standard deviation over 25 years for each measure. \*P/CF is a 20-year average due to cash flow availability. Guide to the Markets - U.S. Data are as of March 31, 2023.

**J.P.Morgan**  
ASSET MANAGEMENT



# P/E ratios and equity returns

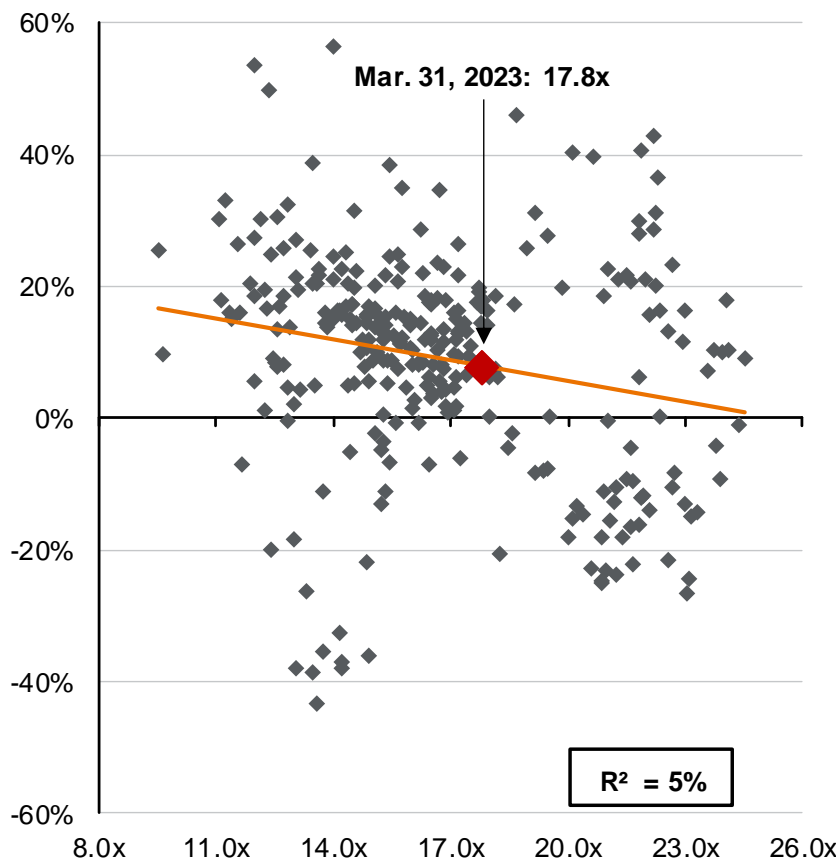
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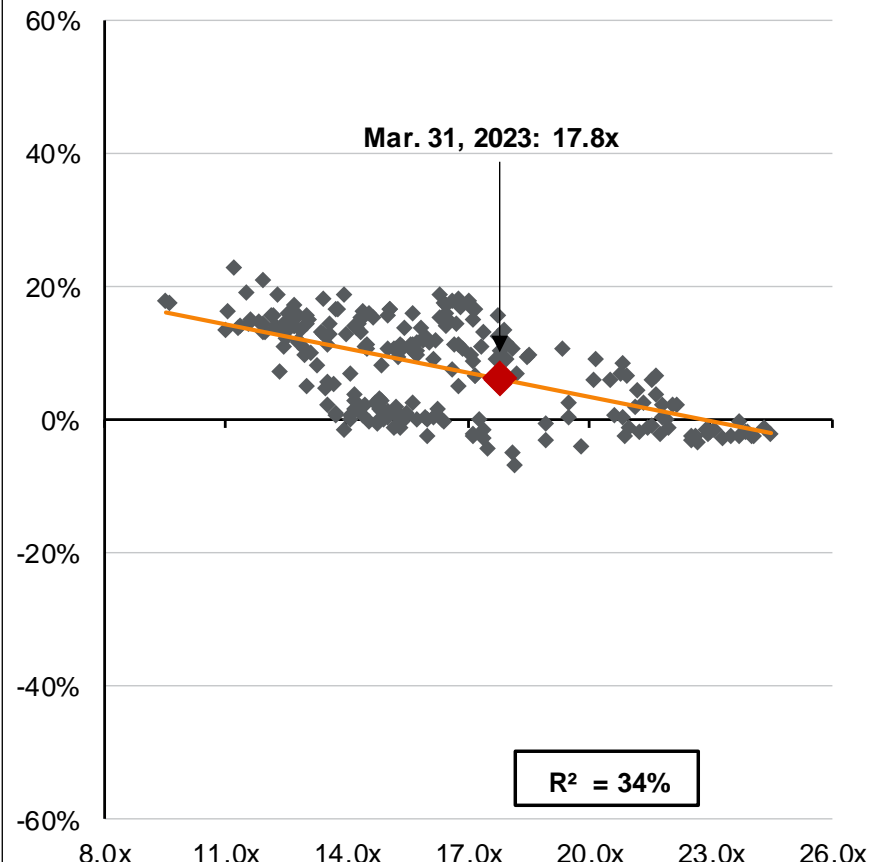
## Forward P/E and subsequent 1-yr. returns

S&amp;P 500 Total Return Index



## Forward P/E and subsequent 5-yr. annualized returns

S&amp;P 500 Total Return Index



Source: FactSet, Refinitiv Datastream, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management.

Returns are 12-month and 60-month annualized total returns, measured monthly, beginning 2/28/98.  $R^2$  represents the percent of total variation in total returns that can be explained by forward price-to-earnings ratios. Price-to-earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since February 1998 and by FactSet since January 2022.

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# Corporate earnings and sources of earnings growth

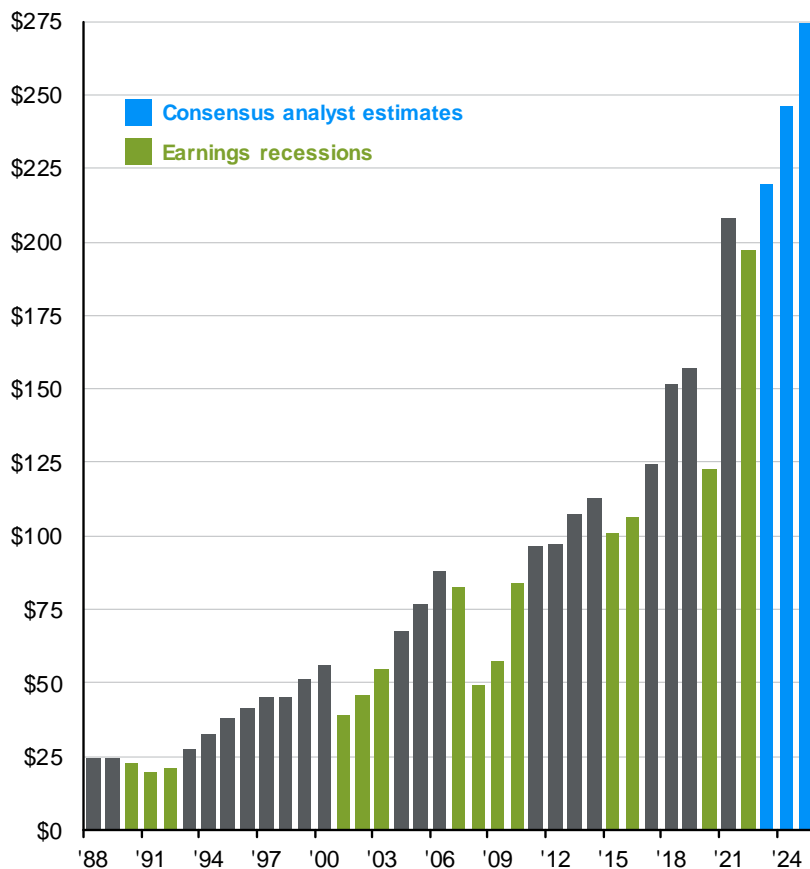
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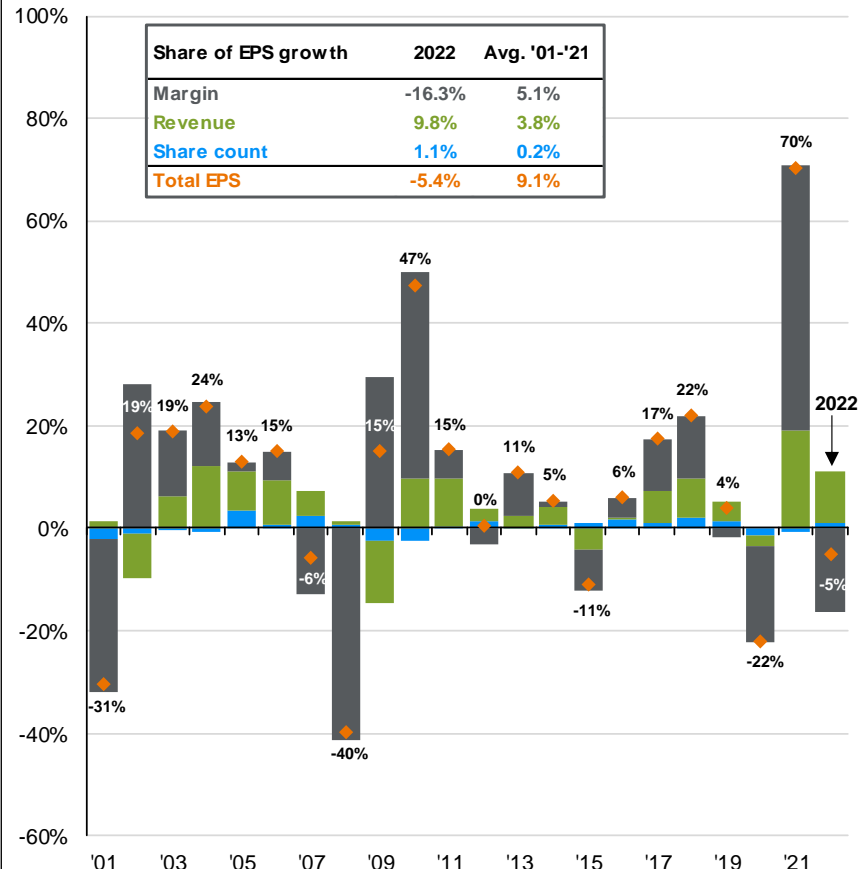
## S&P 500 earnings per share

Index annual operating earnings, USD



## S&P 500 year-over-year operating EPS growth

Annual growth broken into changes in revenue, profit margin and share count



Source: Compustat, FactSet, Standard &amp; Poor's, J.P. Morgan Asset Management.

Historical EPS levels are based on annual operating earnings per share. Earnings estimates are based on estimates from Standard &amp; Poor's and FactSet Market Aggregates. Percentages may not sum due to rounding. Past performance is not indicative of future returns.

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# Profit margins

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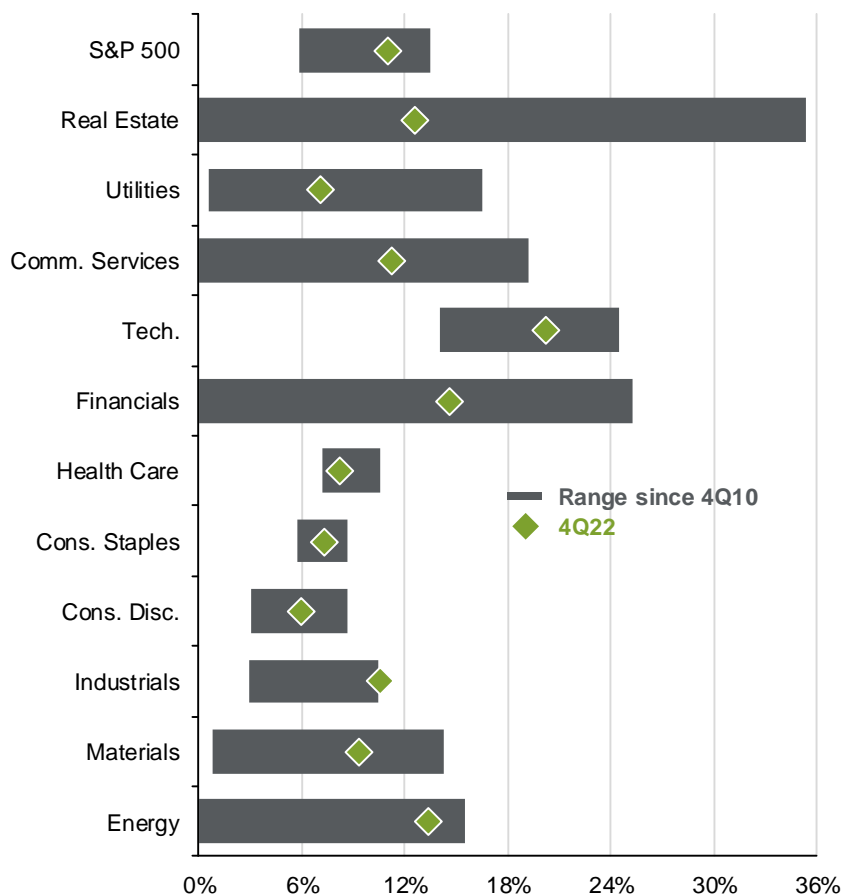
## S&P 500 profit margins

Quarterly operating earnings/sales



## S&P 500 operating margins by sector

Current operating margins versus historical range\*



Source: Compustat, FactSet, NFIB, Standard & Poor's, J.P. Morgan Asset Management. Past performance is not indicative of future returns.

\*Quarters with negative operating margins are not shown, with zero set as the lower bound for troughs.

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# Corporate profits and fixed business investment

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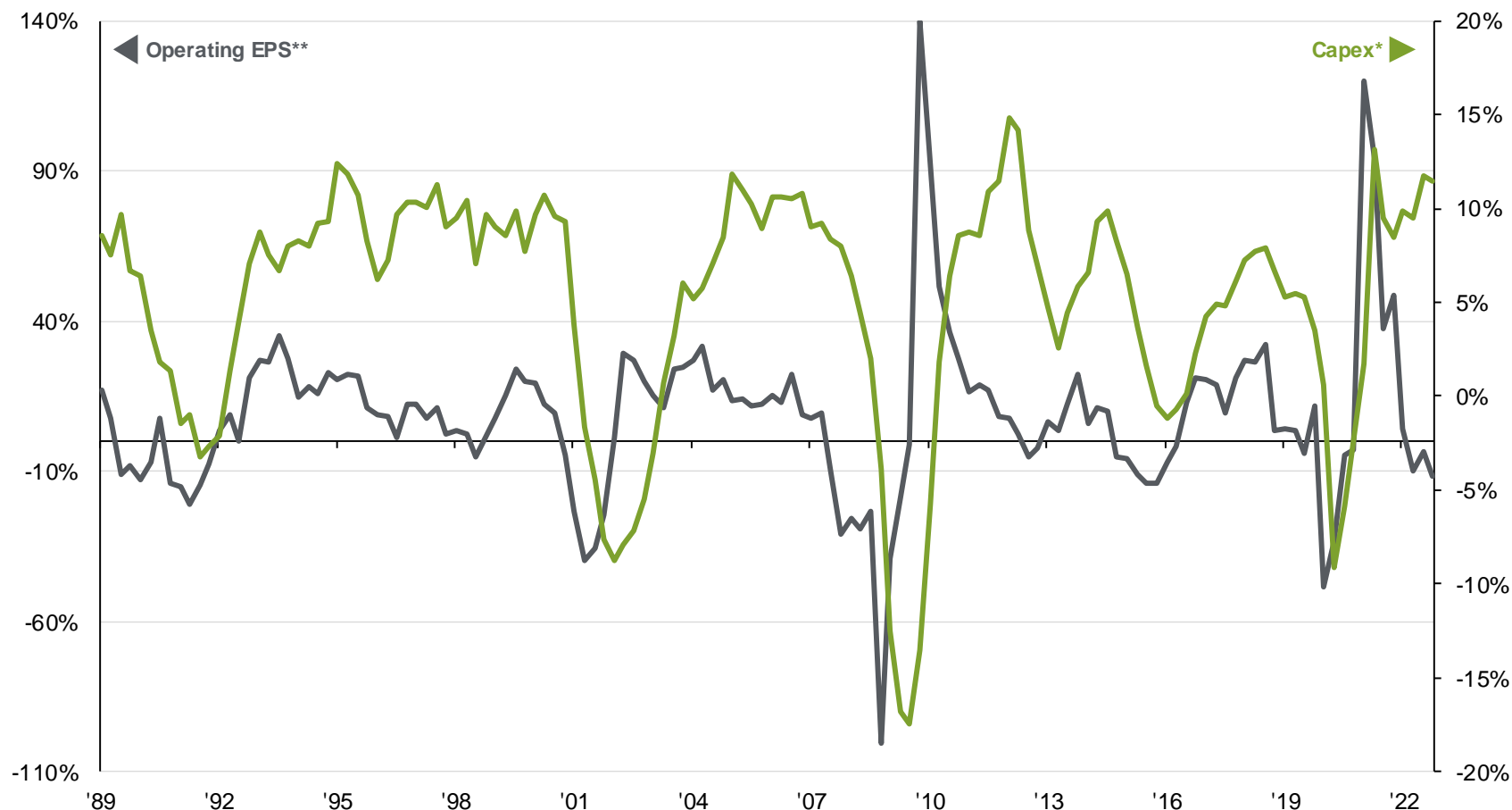
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Equities

## Profit growth and capital expenditures

Year-over-year growth rates



Source: BEA, FactSet, Standard & Poor's, J.P. Morgan Asset Management. \*Capital expenditures are estimated using seasonally adjusted nominal gross private domestic fixed investment (nonresidential) data from the BEA. \*\*Historical operating EPS growth is adjusted to account for periods with outlier growth rates.  
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# Value vs. Growth

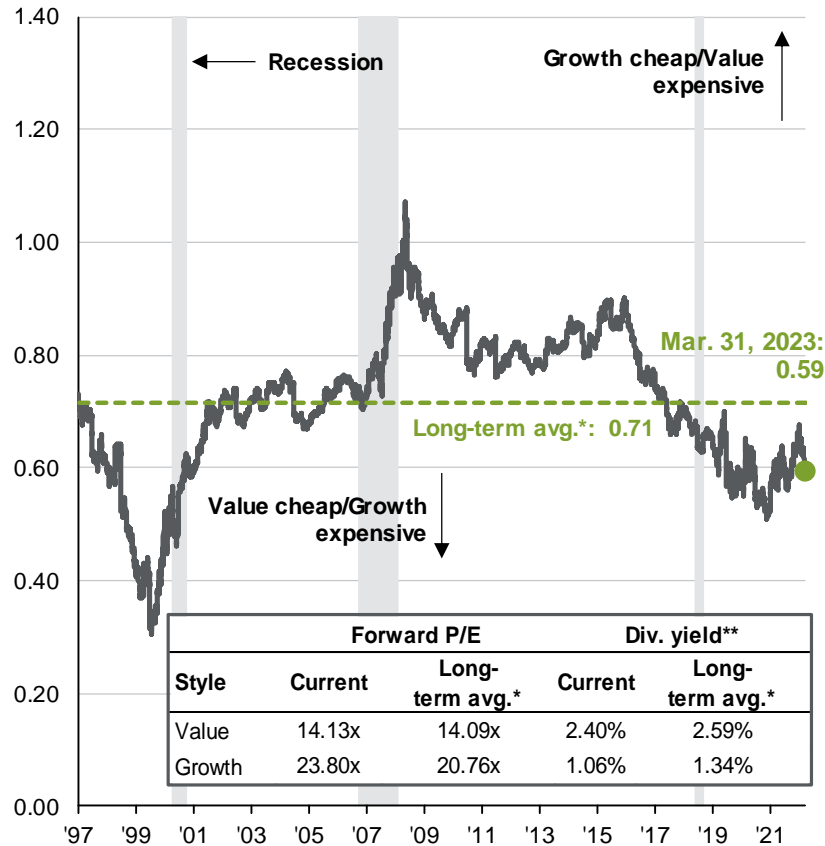
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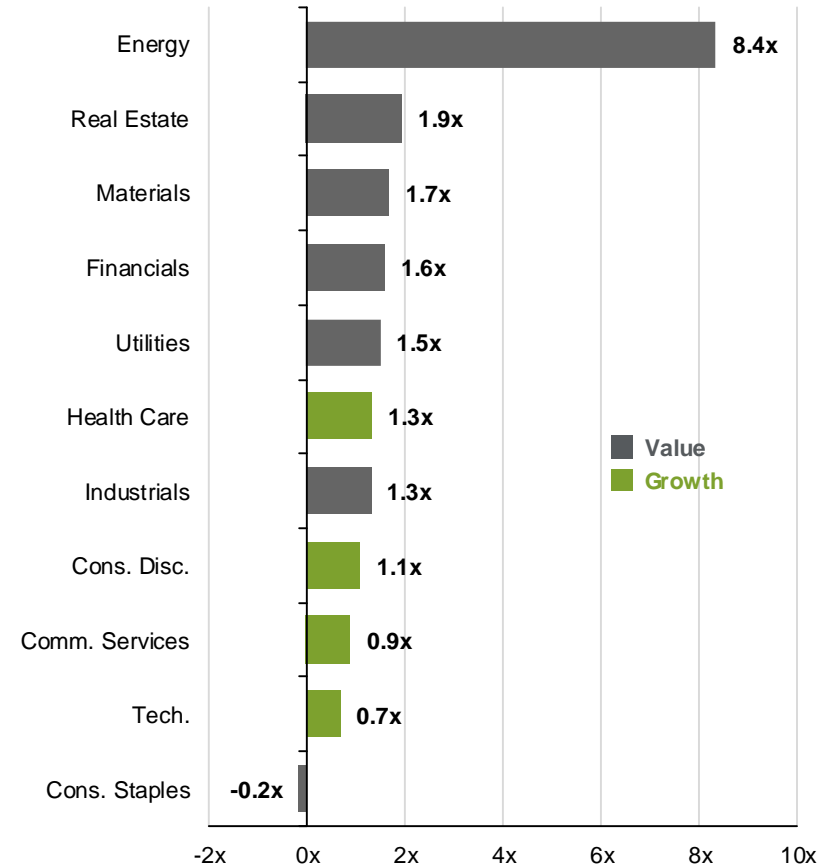
## Value vs. Growth relative valuations

Rel. fwd. P/E ratio of Value vs. Growth, 1997 - present



## S&P 500 operating leverage by sector

Impact on operating income from a 1% rise in revenues



Source: FactSet, FTSE Russell, NBER, J.P. Morgan Asset Management.

(Left) Growth is represented by the Russell 1000 Growth Index and Value is represented by the Russell 1000 Value Index. \*Long-term averages are calculated monthly since December 1997. \*\*Dividend yield is calculated as the next 12-month consensus dividend divided by most recent price.

(Right) Operating leverage is a bottom-up calculation based on the 10-year compounded annual growth rate (CAGR) in EBIT divided by the 10-year CAGR in revenue at the constituent level within each sector. Sector level aggregates are computed using a weighted sum of each constituent's operating leverage. Weights are determined using market capitalization. Calculations use EBIT and revenue over the 10-year period from 2013 to 2022. The constituent level analysis accounts for outlier data points.

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# Small cap vs. large cap stocks

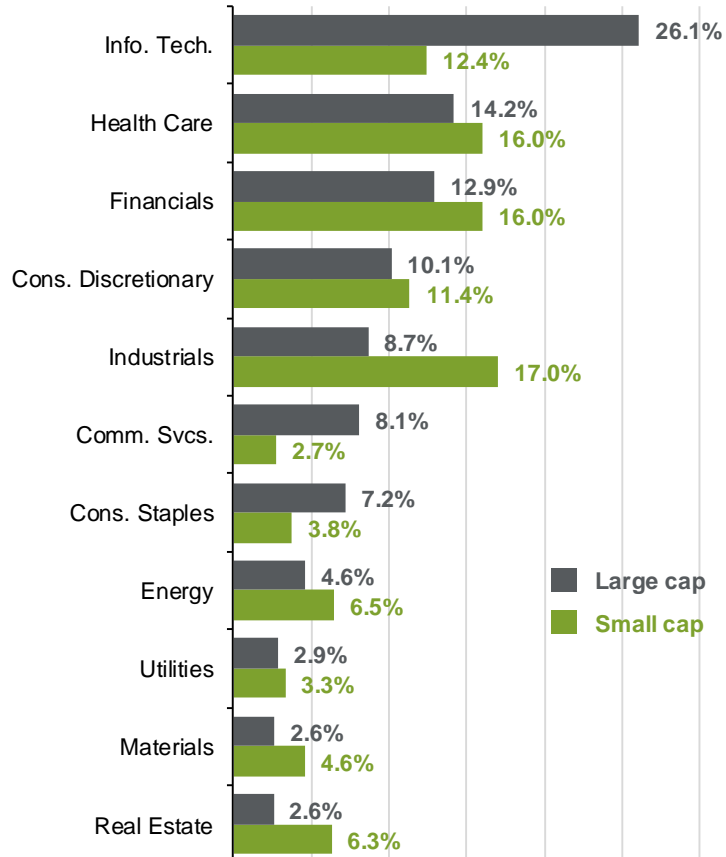
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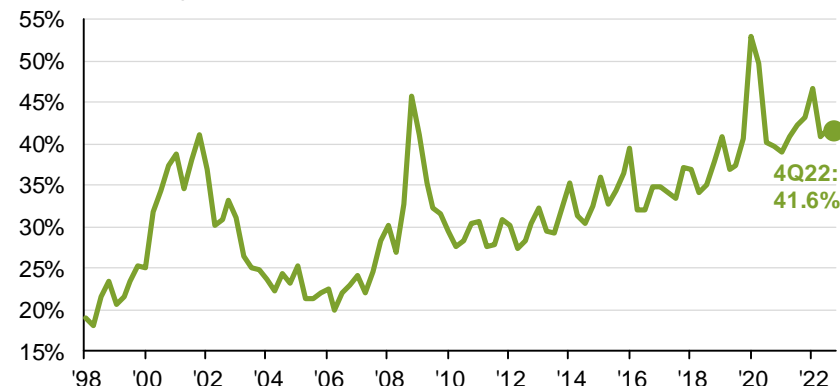
## Sector composition

% of index market capitalization



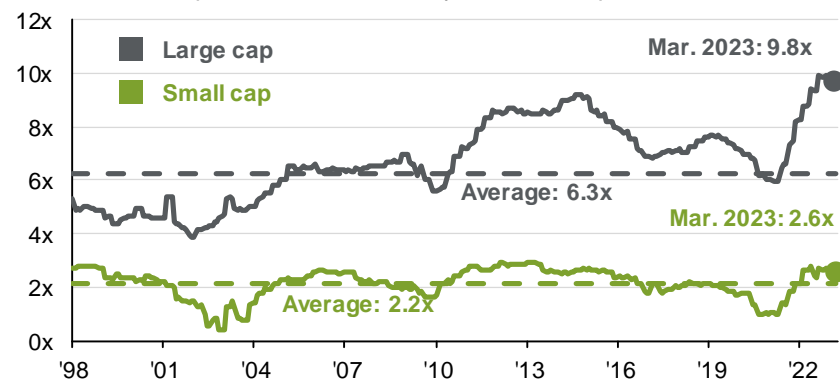
## Percent of unprofitable companies in the Russell 2000

1Q98 – 4Q22, pro-forma EPS



## Interest rate coverage ratio

EBIT/interest expense on debt, monthly, LTM, 1998-present



Source: Compustat, FactSet, FTSE Russell, NBER, J.P. Morgan Asset Management.  
The S&P 500 is used for large cap and the Russell 2000 is used for small cap.  
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# Returns and valuations by style

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## 10-year annualized

	Value	Blend	Growth
Large	9.1%	12.2%	14.6%
Mid	8.8%	10.1%	11.2%
Small	7.2%	8.0%	8.5%

## YTD

	Value	Blend	Growth
Large	1.0%	7.5%	14.4%
Mid	1.3%	4.1%	9.1%
Small	-0.7%	2.7%	6.1%

## Since market peak (February 2020)

	Value	Blend	Growth
Large	18.7%	27.7%	31.1%
Mid	18.0%	19.0%	14.3%
Small	16.5%	10.8%	2.9%

## Since market low (March 2020)

	Value	Blend	Growth
Large	92.0%	92.8%	91.2%
Mid	108.6%	99.2%	77.7%
Small	104.8%	86.8%	67.2%

## Current P/E vs. 20-year avg. P/E

	Value	Blend	Growth
Large	14.1 / 13.7	17.8 / 15.5	23.8 / 18.7
Mid	13.6 / 14.5	16.0 / 16.4	22.8 / 20.4
Small	15.6 / 16.8	20.3 / 21.4	28.1 / 31.3

## Current P/E as % of 20-year avg. PE

	Value	Blend	Growth
Large	103.1%	114.8%	127.5%
Mid	94.3%	97.7%	111.9%
Small	92.8%	95.2%	89.9%

Source: FactSet, Refinitiv Datastream, Russell Investment Group, Standard & Poor's, J.P. Morgan Asset Management. All calculations are cumulative total return, including dividends reinvested for the stated period. Since market peak represents period from 2/19/2020 to 3/31/2023. Since market low represents period from 3/23/2020 to 3/31/2023. Returns are cumulative returns, not annualized. For all time periods, total return is based on Russell style indices except for the large blend category, which is based on the S&P 500 Index. Past performance is not indicative of future returns. The price-to-earnings is a bottom-up calculation based on the most recent index price, divided by consensus estimates for earnings in the next 12 months (NTM) and is provided by FactSet Market Aggregates and J.P. Morgan Asset Management. *Guide to the Markets* – U.S. Data are as of March 31, 2023.



# Returns and valuations by sector

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	Energy	Materials	Financials	Industrials	Cons. Disc.	Tech.	Comm. Services*	Real Estate	Health Care	Cons. Staples	Utilities	S&P 500 Index	Weight
<b>S&amp;P weight</b>	<b>4.6%</b>	<b>2.6%</b>	<b>12.9%</b>	<b>8.7%</b>	<b>10.1%</b>	<b>26.1%</b>	<b>8.1%</b>	<b>2.6%</b>	<b>14.2%</b>	<b>7.2%</b>	<b>2.9%</b>	<b>100.0%</b>	
Russell Growth weight	1.4%	1.3%	6.7%	8.2%	14.3%	41.8%	7.1%	1.5%	11.7%	6.0%	0.0%	100.0%	
Russell Value weight	7.9%	4.5%	20.1%	10.9%	5.9%	8.0%	8.6%	4.5%	16.4%	7.6%	5.6%	100.0%	
Russell 2000 weight	6.5%	4.6%	16.0%	17.0%	11.4%	12.4%	2.7%	6.3%	16.0%	3.8%	3.3%	100.0%	
<b>QTD</b>	<b>-4.7</b>	<b>4.3</b>	<b>-5.6</b>	<b>3.5</b>	<b>16.1</b>	<b>21.8</b>	<b>20.5</b>	<b>2.1</b>	<b>-4.3</b>	<b>0.8</b>	<b>-3.2</b>	<b>7.5</b>	<b>Return (%)</b>
<b>YTD</b>	<b>-4.7</b>	<b>4.3</b>	<b>-5.6</b>	<b>3.5</b>	<b>16.1</b>	<b>21.8</b>	<b>20.5</b>	<b>2.1</b>	<b>-4.3</b>	<b>0.8</b>	<b>-3.2</b>	<b>7.5</b>	
<b>Since market peak</b> (February 2020)	<b>77.9</b>	<b>42.7</b>	<b>10.9</b>	<b>27.4</b>	<b>14.0</b>	<b>51.1</b>	<b>2.2</b>	<b>1.2</b>	<b>31.5</b>	<b>28.4</b>	<b>7.0</b>	<b>27.7</b>	
<b>Since market low</b> (March 2020)	<b>303.6</b>	<b>123.3</b>	<b>94.3</b>	<b>118.5</b>	<b>67.0</b>	<b>119.4</b>	<b>43.1</b>	<b>62.4</b>	<b>82.4</b>	<b>69.0</b>	<b>66.2</b>	<b>92.8</b>	
<b>Beta to S&amp;P 500</b>	<b>1.3</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.2</b>	<b>1.1</b>	<b>1.0*</b>	<b>0.8</b>	<b>0.8</b>	<b>0.6</b>	<b>0.5</b>	<b>1.0</b>	<b>β</b>
<b>Correl. to Treas. yields</b>	<b>0.0</b>	<b>-0.5</b>	<b>-0.3</b>	<b>-0.5</b>	<b>-0.6</b>	<b>-0.7</b>	<b>-0.8</b>	<b>-0.6</b>	<b>-0.4</b>	<b>-0.3</b>	<b>-0.4</b>	<b>-0.6</b>	<b>ρ</b>
<b>Foreign % of sales</b>	<b>38.8</b>	<b>50.8</b>	<b>21.8</b>	<b>32.7</b>	<b>30.8</b>	<b>57.4</b>	<b>40.4</b>	<b>17.0</b>	<b>34.8</b>	<b>43.6</b>	<b>1.8</b>	<b>38.6</b>	<b>%</b>
NTM earnings growth	-17.0%	-10.5%	3.6%	11.6%	21.2%	3.4%	14.0%	0.8%	-5.1%	5.4%	6.9%	3.8%	<b>EPS</b>
<b>20-yr avg.</b>	<b>100.6%</b>	<b>15.8%</b>	<b>20.8%</b>	<b>14.0%</b>	<b>16.9%</b>	<b>13.3%</b>	<b>10.2%*</b>	<b>6.8%</b>	<b>8.2%</b>	<b>7.7%</b>	<b>4.3%</b>	<b>11.1%</b>	
Forward P/E ratio	10.1x	16.5x	12.6x	18.4x	24.4x	24.5x	16.1x	17.2x	16.9x	20.1x	17.7x	17.8x	<b>P/E</b>
<b>20-yr avg.</b>	<b>13.7x</b>	<b>14.8x</b>	<b>12.4x</b>	<b>16.3x</b>	<b>19.3x</b>	<b>18.0x</b>	<b>18.7x*</b>	<b>17.0x</b>	<b>15.1x</b>	<b>17.3x</b>	<b>15.5x</b>	<b>15.5x</b>	
Buyback yield	3.7%	2.5%	2.9%	2.5%	2.2%	2.6%	5.0%	-1.8%	1.9%	1.3%	-0.8%	2.5%	<b>Bbk</b>
<b>20-yr avg.</b>	<b>1.6%</b>	<b>0.9%</b>	<b>0.4%</b>	<b>2.2%</b>	<b>2.4%</b>	<b>3.0%</b>	<b>1.6%</b>	<b>-1.3%</b>	<b>2.0%</b>	<b>1.8%</b>	<b>-0.9%</b>	<b>1.8%</b>	
Dividend yield	3.3%	2.1%	2.1%	1.9%	1.0%	1.0%	1.0%	3.9%	1.8%	2.7%	3.3%	1.7%	<b>Div</b>
<b>20-yr avg.</b>	<b>2.8%</b>	<b>2.4%</b>	<b>2.3%</b>	<b>2.2%</b>	<b>1.4%</b>	<b>1.1%</b>	<b>1.2%</b>	<b>3.9%</b>	<b>1.9%</b>	<b>2.8%</b>	<b>3.9%</b>	<b>2.1%</b>	

Source: FactSet, Refinitiv Datastream, Russell Investment Group, Standard & Poor's, J.P. Morgan Asset Management. All calculations are cumulative total return, not annualized, including dividends for the stated period. Since market peak represents period from 2/19/2020 to 3/31/2023. Since market low represents period from 3/23/2020 to 3/31/2023. Correlation to Treasury yields are trailing 2-year monthly correlations between S&P 500 sector price returns and 10-year Treasury yield movements. Next 12 months (NTM) earnings growth is the percent change in next 12-months earnings estimates compared to last 12-months earnings provided by brokers. Forward P/E ratio is a bottom-up calculation based on the most recent S&P 500 Index price, divided by consensus estimates for earnings in the next 12 months (NTM), and is provided by FactSet Market Aggregates and J.P. Morgan Asset Management. Buyback yield is net of share issuance and is calculated as last 12-months net buybacks divided by market cap. Dividend yield is calculated as the next 12-months consensus dividend divided by most recent price. Beta calculations are based on 10-years of monthly price returns for the S&P 500 and its sub-indices. \*Communication Services (formerly Telecom) averages and beta are based on 5-years of backtested data by JPMAM. Past performance is not indicative of future returns.

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# Factor performance

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Equities

																2008 - 2022	
2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	YTD	Ann.	Vol.
Min. Vol.	Value	Small Cap	High Div.	Cyclical	Value	Value	Momen.	Small Cap	Momen.	Min. Vol.	Cyclical	Momen.	Value	Defens.	Cyclical	Min. Vol.	Small Cap
-25.7%	38.8%	26.9%	14.3%	20.1%	43.2%	17.7%	9.3%	21.3%	37.8%	1.5%	36.3%	29.6%	29.2%	5.3%	12.6%	9.5%	23.2%
Defens.	Cyclical	Multi-Factor	Min. Vol.	Value	Small Cap	Min. Vol.	Min. Vol.	High Div.	Cyclical	Momen.	Quality	Cyclical	Cyclical	High Div.	Quality	Momen.	Value
-26.7%	36.9%	18.3%	12.9%	16.8%	38.8%	16.5%	5.6%	16.3%	27.3%	-1.6%	34.4%	27.8%	27.6%	-3.8%	9.2%	9.2%	21.4%
High Div.	Multi-Factor	Momen.	Defens.	Small Cap	Multi-Factor	High Div.	Quality	Value	Quality	High Div.	Momen.	Small Cap	Quality	Min. Vol.	Multi-Factor	Quality	Cyclical
-27.6%	29.8%	18.2%	10.1%	16.3%	37.4%	14.9%	4.6%	15.9%	22.5%	-2.3%	28.1%	20.0%	27.2%	-9.2%	4.6%	9.2%	20.9%
Quality	Small Cap	Cyclical	Quality	Multi-Factor	Cyclical	Multi-Factor	Cyclical	Cyclical	Value	Defens.	Min. Vol.	Quality	Multi-Factor	Value	Small Cap	High Div.	Momen.
-31.2%	27.2%	17.9%	7.5%	15.7%	35.0%	14.8%	2.6%	14.0%	22.2%	-2.9%	28.0%	17.1%	25.1%	-14.0%	2.7%	9.1%	19.0%
Small Cap	Quality	High Div.	Multi-Factor	Momen.	Momen.	Momen.	High Div.	Multi-Factor	Multi-Factor	Cyclical	Value	Multi-Factor	Defens.	Multi-Factor	Value	Cyclical	Multi-Factor
-33.8%	24.9%	15.9%	7.3%	15.1%	34.8%	14.7%	0.7%	13.7%	21.5%	-5.3%	27.7%	11.4%	25.0%	-15.5%	2.5%	8.9%	18.5%
Value	High Div.	Min. Vol.	Momen.	Quality	Quality	Cyclical	Multi-Factor	Min. Vol.	High Div.	Quality	Multi-Factor	Min. Vol.	High Div.	Momen.	Min. Vol.	Multi-Factor	Quality
-36.9%	18.4%	14.7%	6.1%	12.8%	34.3%	13.6%	0.4%	10.7%	19.5%	-5.6%	26.6%	5.8%	21.9%	-17.4%	1.3%	8.5%	17.0%
Multi-Factor	Min. Vol.	Quality	Value	Min. Vol.	High Div.	Defens.	Defens.	Quality	Min. Vol.	Multi-Factor	Small Cap	Defens.	Min. Vol.	Quality	High Div.	Defens.	High Div.
-39.3%	18.4%	14.2%	-2.7%	11.2%	28.9%	13.0%	-0.9%	9.4%	19.2%	-9.7%	25.5%	5.2%	21.0%	-20.3%	-0.7%	8.3%	15.7%
Momen.	Momen.	Value	Cyclical	Defens.	Defens.	Quality	Small Cap	Defens.	Small Cap	Small Cap	High Div.	High Div.	Small Cap	Small Cap	Defens.	Value	Defens.
-40.9%	17.6%	12.7%	-3.4%	10.7%	28.9%	10.7%	-4.4%	7.7%	14.6%	-11.0%	22.5%	1.7%	14.8%	-20.4%	-3.0%	8.0%	14.5%
Cyclical	Defens.	Defens.	Small Cap	High Div.	Min. Vol.	Small Cap	Value	Momen.	Defens.	Value	Defens.	Value	Momen.	Cyclical	Momen.	Small Cap	Min. Vol.
-44.8%	16.5%	12.0%	-4.2%	10.6%	25.3%	4.9%	-6.4%	5.1%	12.3%	-11.1%	21.4%	-0.2%	12.9%	-27.2%	-4.2%	7.2%	13.9%

Source: FactSet, MSCI, Russell, Standard & Poor's, J.P. Morgan Asset Management. The MSCI High Dividend Yield Index aims to offer a higher than average dividend yield relative to the parent index that passes dividend sustainability and persistence screens. The MSCI Minimum Volatility Index optimizes the MSCI USA Index using an estimated security co-variance matrix to produce low absolute volatility for a given set of constraints. The MSCI Defensive Sectors Index includes: Consumer Staples, Energy, Health Care and Utilities. The MSCI Cyclical Sectors Index contains: Consumer Discretionary, Communication Services, Financials, Industrials, Information Technology and Materials. Securities in the MSCI Momentum Index are selected based on a momentum value of 12-month and 6-month price performance. Constituents of the MSCI Sector Neutral Quality Index are selected based on stronger quality characteristics to their peers within the same GICS sector by using three main variables: high return-on-equity, low leverage and low earnings variability. Constituents of the MSCI Enhanced Value Index are based on three variables: price-to-book value, price-to-forward earnings and enterprise value-to-cash flow from operations. The Russell 2000 is used for small cap. The MSCI USA Diversified Multiple Factor Index aims to maximize exposure to four factors – Value, Momentum, Quality and Size. Annualized volatility is calculated as the standard deviation of quarterly returns multiplied by the square root of 4.

Guide to the Markets – U.S. Data as of March 31, 2023.



# Annual returns and intra-year declines

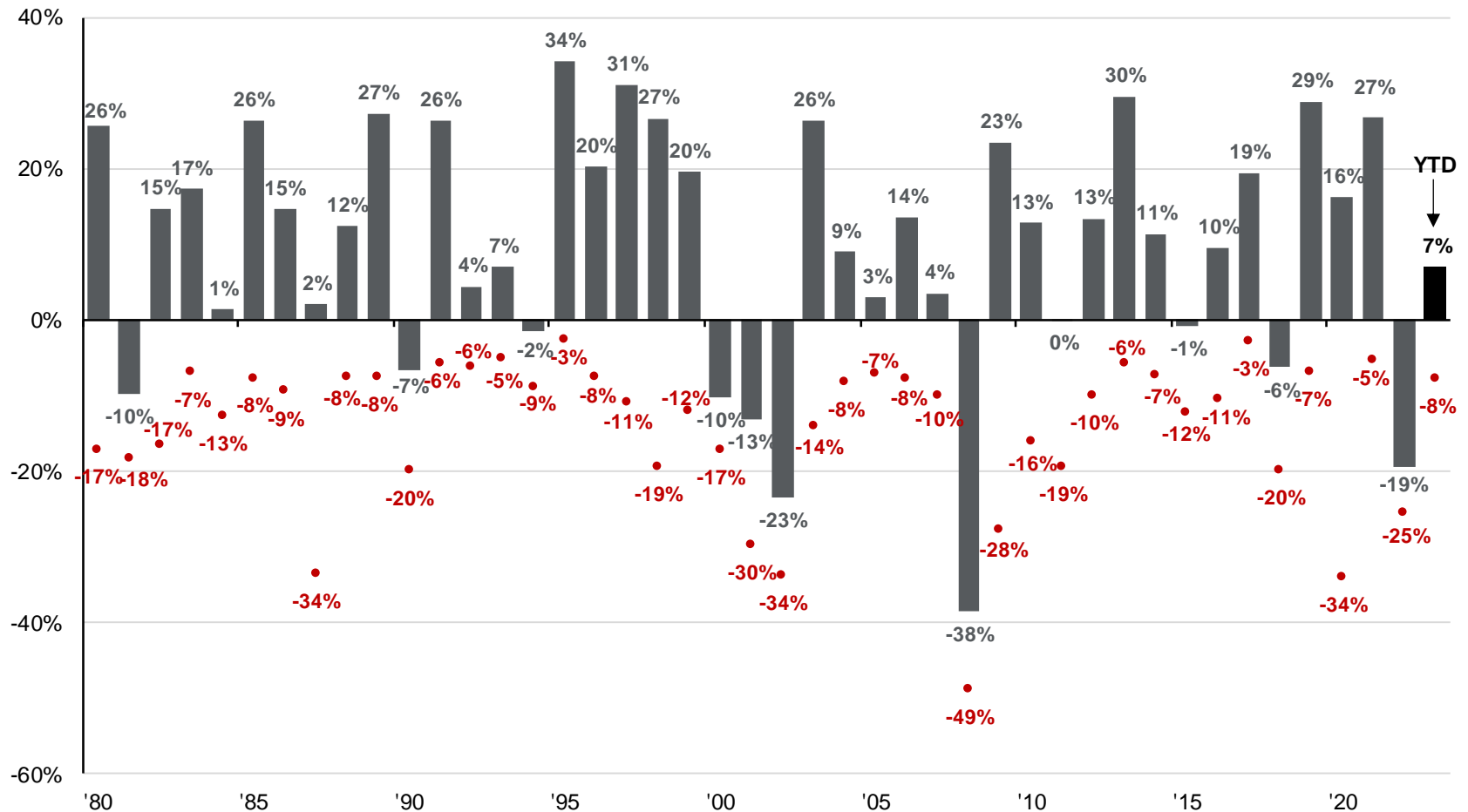
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## S&P intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.3%, annual returns were positive in 32 of 43 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2022, over which time period the average annual return was 8.7%.

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# Equity scenarios: Bull, bear and in-between

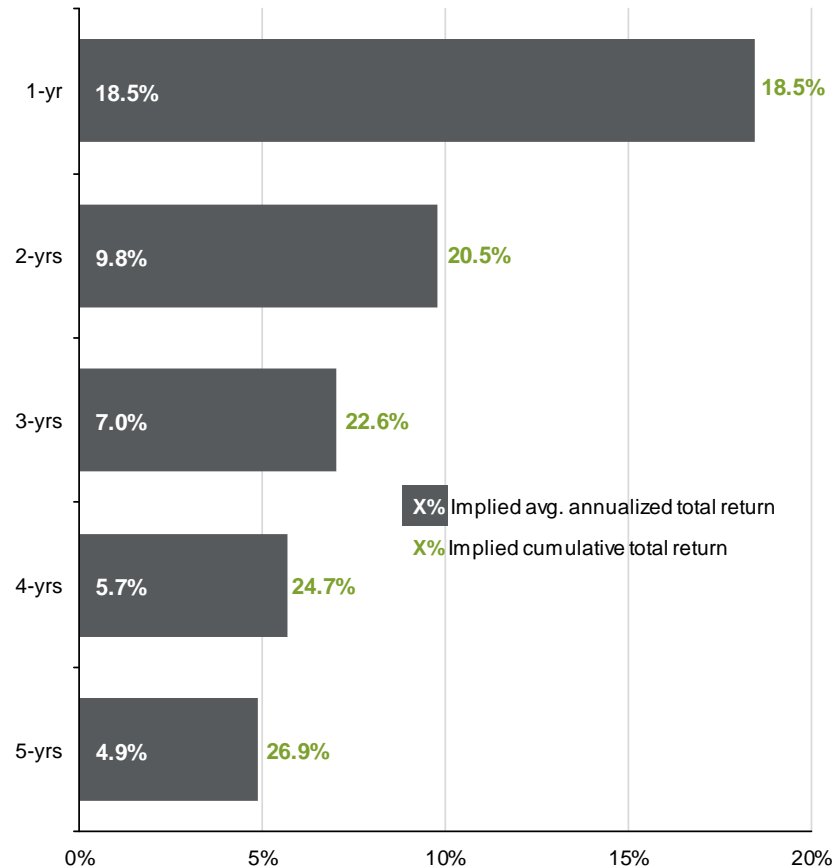
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## Return needed to reach January 2022 peak of 4,797

S&P 500 level as of 3/31/2023 is 4,109



## Bull and bear markets

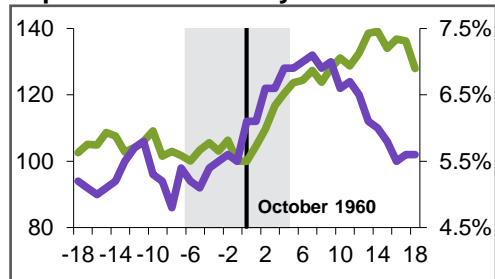
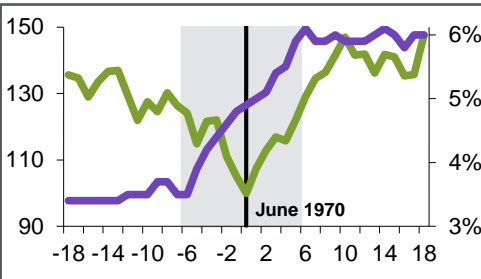
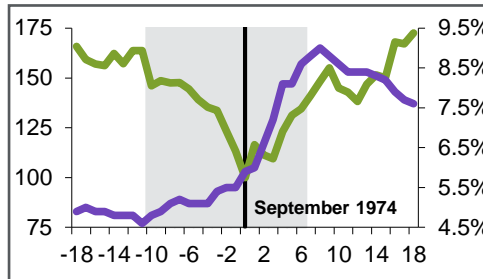
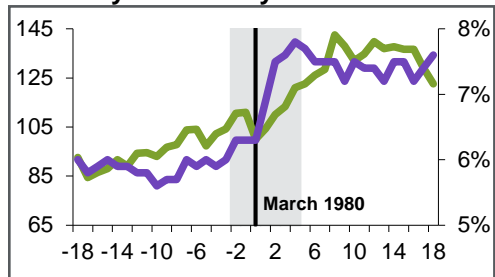
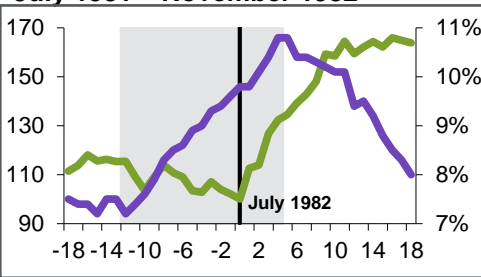
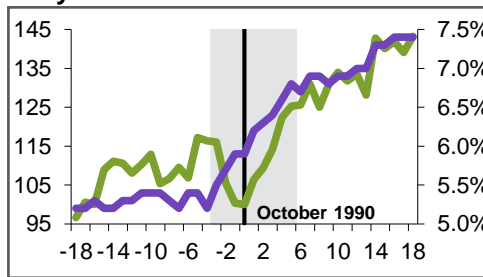
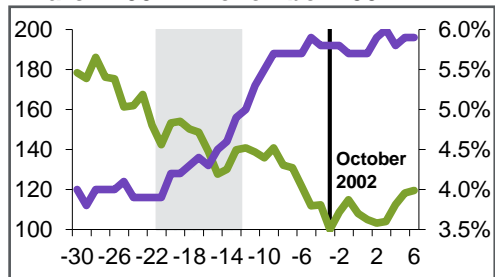
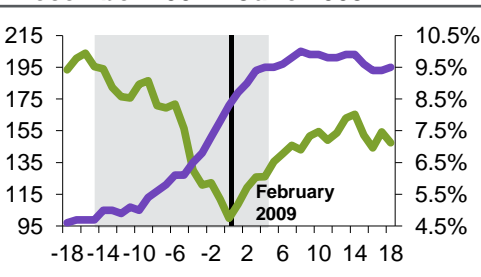
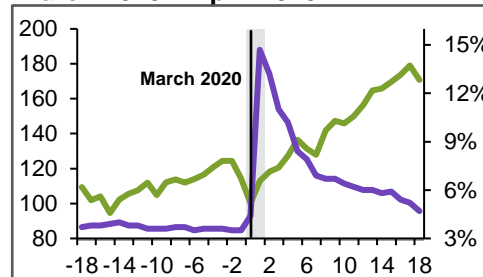
Bull markets			Bear markets		
Bull begin date	Bull return	Duration (months)	Market peak	Bear return*	Duration (months)*
Jul 1926	152%	37	Sep 1929	-86%	32
Mar 1935	129%	23	Mar 1937	-60%	61
Apr 1942	158%	49	May 1946	-30%	36
Jun 1949	267%	85	Aug 1956	-22%	14
Oct 1960	39%	13	Dec 1961	-28%	6
Oct 1962	76%	39	Feb 1966	-22%	7
Oct 1966	48%	25	Nov 1968	-36%	17
May 1970	74%	31	Jan 1973	-48%	20
Mar 1978	62%	32	Nov 1980	-27%	20
Aug 1982	229%	60	Aug 1987	-34%	3
Oct 1990	417%	113	Mar 2000	-49%	30
Oct 2002	101%	60	Oct 2007	-57%	17
Mar 2009	401%	131	Feb 2020	-34%	1
Mar 2020	114%	21	Jan. 2022**	-25%	9
<b>Averages</b>	<b>162%</b>	<b>51</b>	<b>-</b>	<b>-41%</b>	<b>20</b>

Source: FactSet, NBER, Robert Shiller, Standard & Poor's, J.P. Morgan Asset Management. (Left) The current peak of 4,797 was observed on 1/3/2022. (Right) \*A bear market is defined as a 20% or more decline from the previous market high. The related market return is the peak to trough return over the cycle. Bear and bull returns are price returns. \*\*The bear market beginning in January 2022 is currently ongoing, with the "bear return" and duration for this period calculated from the January 2022 market peak through the current trough in October 2022. Averages for the bear market return and duration do not include figures from the current cycle. *Guide to the Markets* – U.S. Data are as of March 31, 2023.



# Market inflection points, recessions and the unemployment rate

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**April 1960 – February 1961****December 1969 – November 1970****November 1973 – March 1975****January 1980 – July 1980****July 1981 – November 1982****July 1990 – March 1991****March 2001 – November 2001****December 2007 – June 2009****March 2020 – April 2020**

— Unemployment Rate  
— S&P 500 Total Return  
■ Recession  
— Market Low

Source: BLS, Ibbotson, J.P. Morgan Asset Management. Time zero represents the numeric low of the S&P 500 Total Return Index associated with the recessionary period defined by the shaded gray area; data shown in months. S&P 500 Index is rebased to 100 at time zero. *Guide to the Markets – U.S.* Data are as of March 31, 2023.



# Economic growth and the composition of GDP

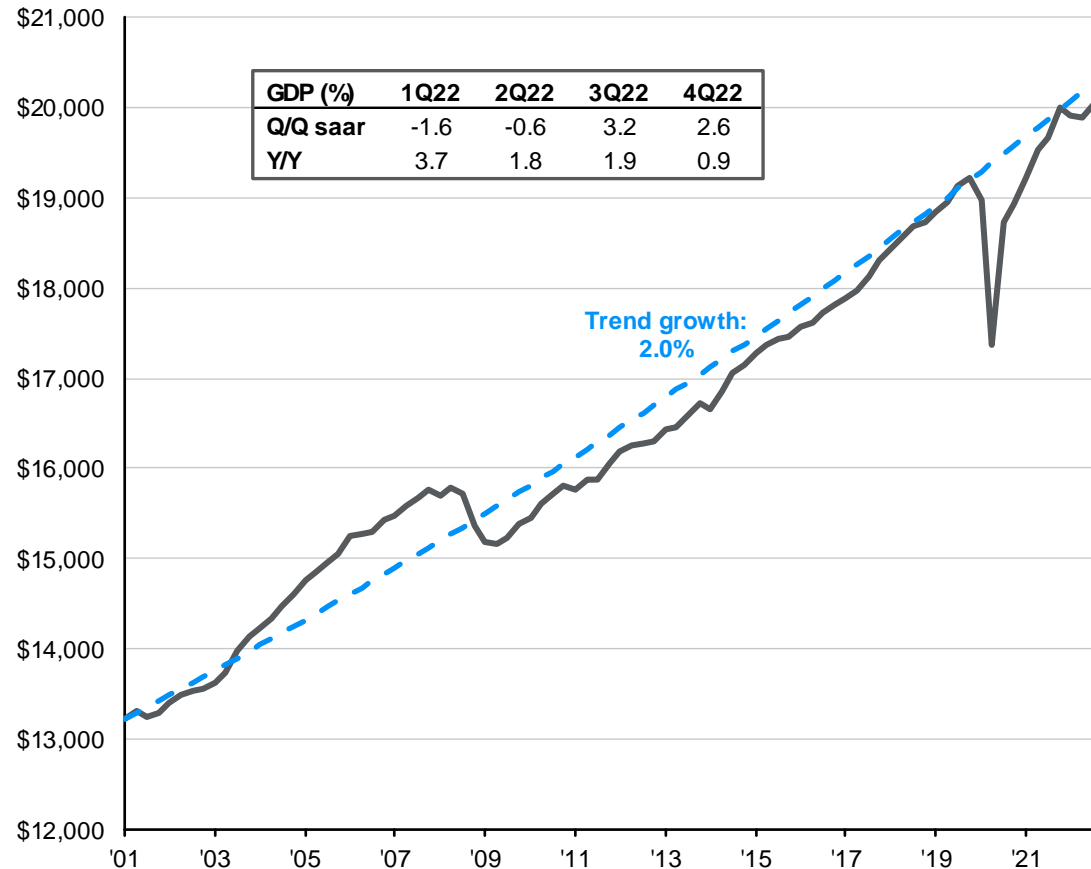
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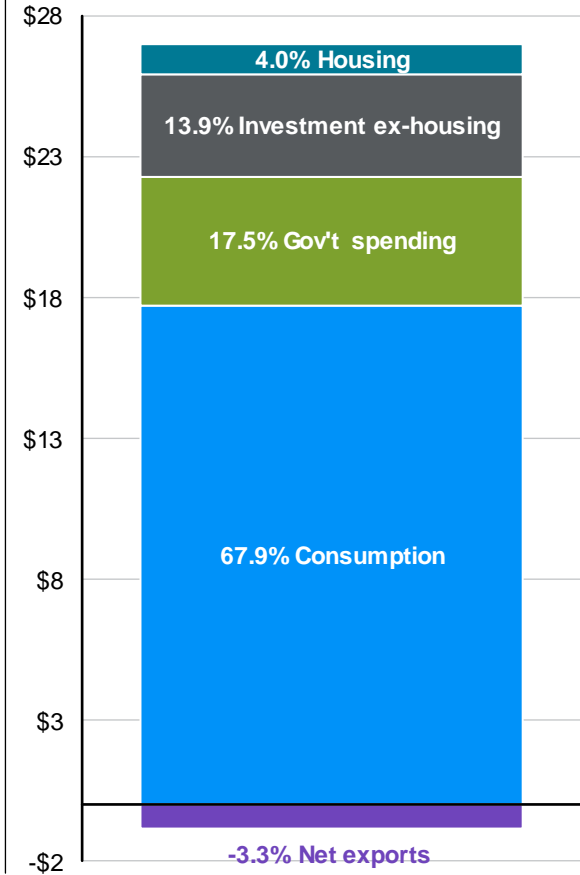
## Real GDP

Billions of chained (2012) dollars, seasonally adjusted at annual rates



## Components of GDP

4Q22 nominal GDP, USD trillions



Source: BEA, FactSet, J.P. Morgan Asset Management. Values may not sum to 100% due to rounding. Trend growth is measured as the average annual growth rate from business cycle peak 1Q01 to business cycle peak 4Q19.  
*Guide to the Markets* – U.S. Data are as of March 31, 2023.



# Recession determinants

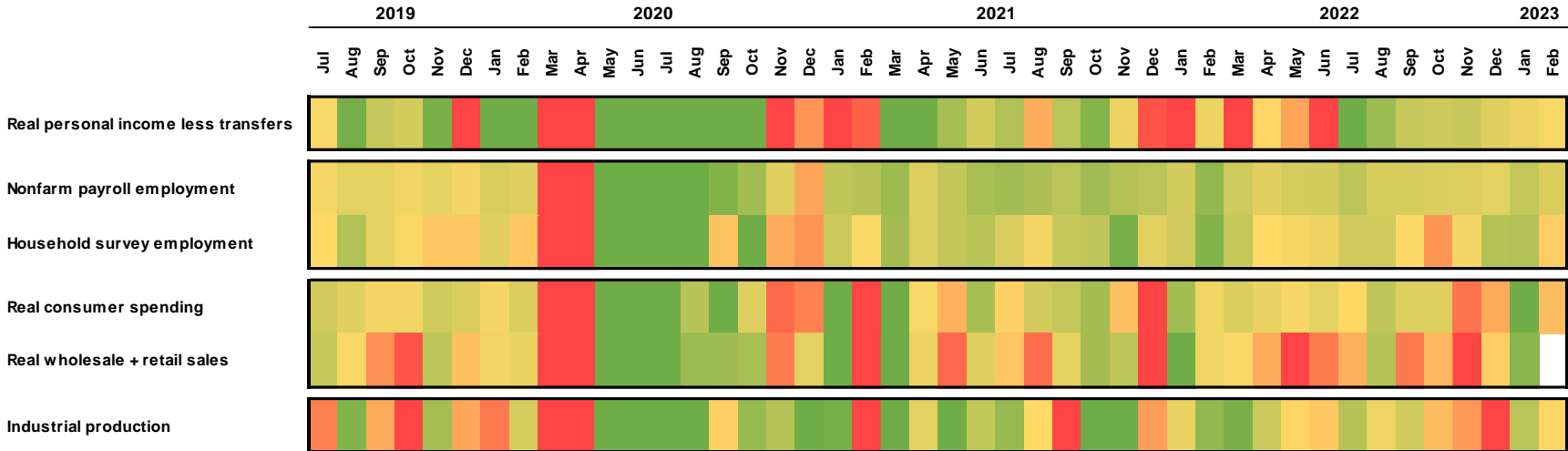
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## Variables used by the NBER in making recession determination\*

% change month-over-month



## Citi Economic Surprise Index



Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Census Bureau, Citigroup, NBER, J.P. Morgan Asset Management. Heatmap shading reflects 10 years of data, with green and red reflecting a range of  $\pm 0.5$  standard deviations from a baseline of 0% monthly growth. \*The NBER's definition of a recession involves a significant decline in economic activity that is spread across the economy and lasts more than a few months. Specifically, they consider real personal income less transfers, nonfarm payroll employment, employment as measured by the household survey, real personal consumption expenditures, wholesale-retail sales adjusted for price changes and industrial production. There is no fixed rule about which measures contribute to the process or how they are weighted, but the committee notes that "in recent decades, the two measures we have put the most weight on are real personal income less transfers and nonfarm payroll employment." The Citi Economic Surprise Index is a 90-day weighted moving average of surprises in economic indicators relative to consensus. A positive reading means that the data releases have been stronger than expected and a negative reading means that the data releases have been worse than expected.

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# Cyclical sectors

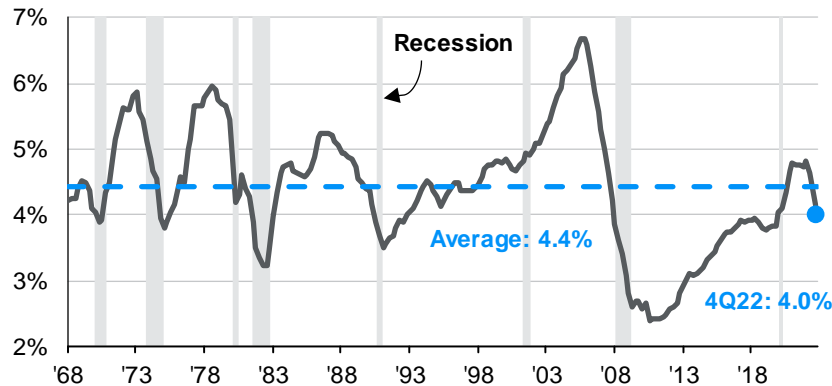
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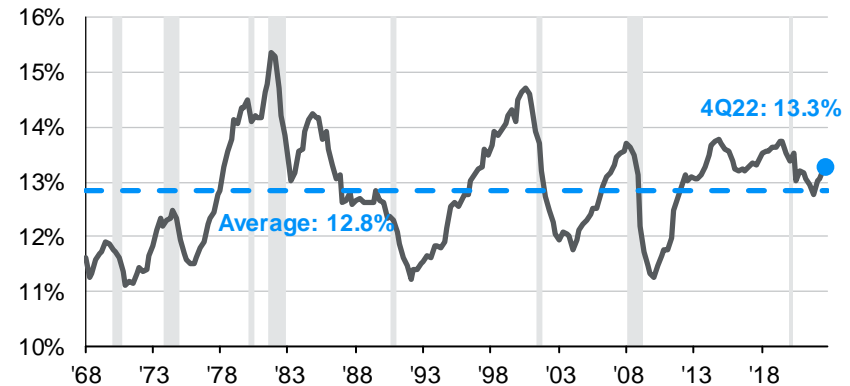
## Residential investment as a % of GDP

Quarterly, seasonally adjusted



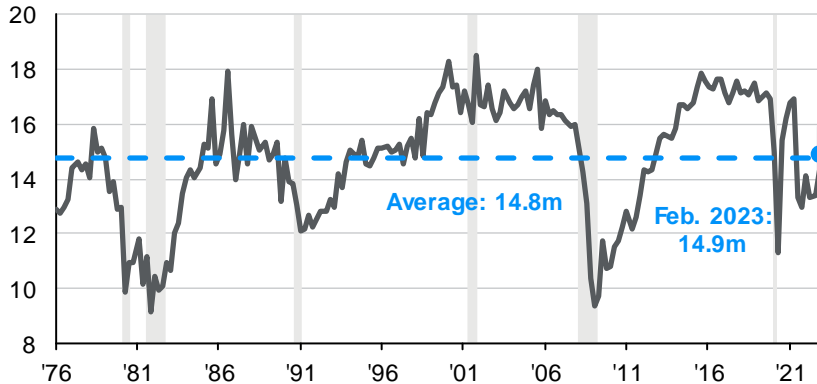
## Business fixed investment as a % of GDP

Quarterly, seasonally adjusted



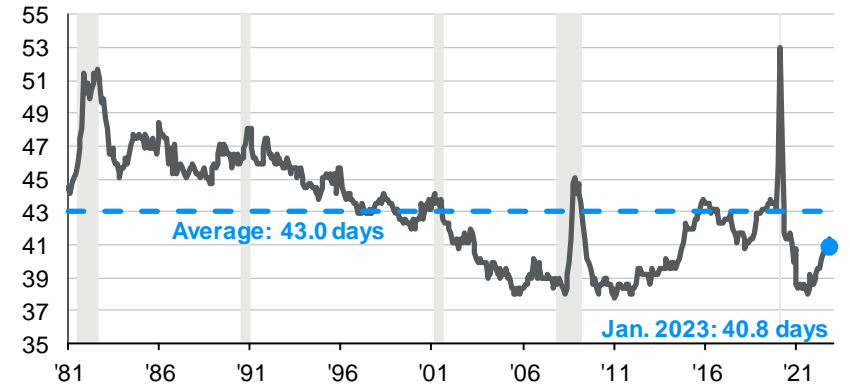
## Light vehicle sales

Mil vehicles, seasonally adjusted ann. rate



## Total business inventory/sales ratio

Days of sales, monthly, seasonally adjusted



Source: BEA, Census Bureau, FactSet, J.P. Morgan Asset Management. Data for light vehicle sales is quarterly apart from the latest monthly data point.  
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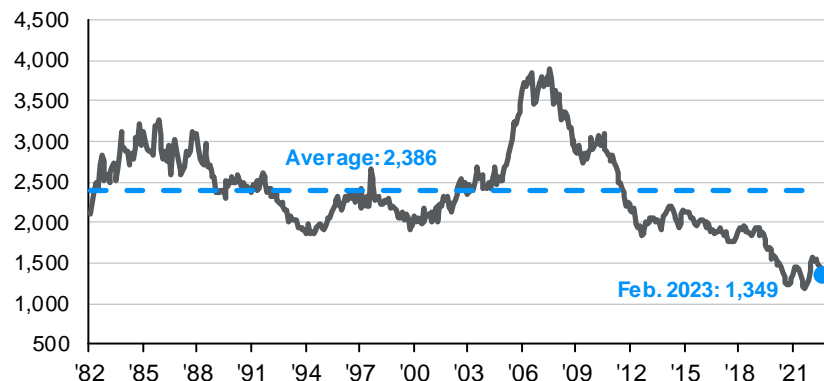


# Residential real estate

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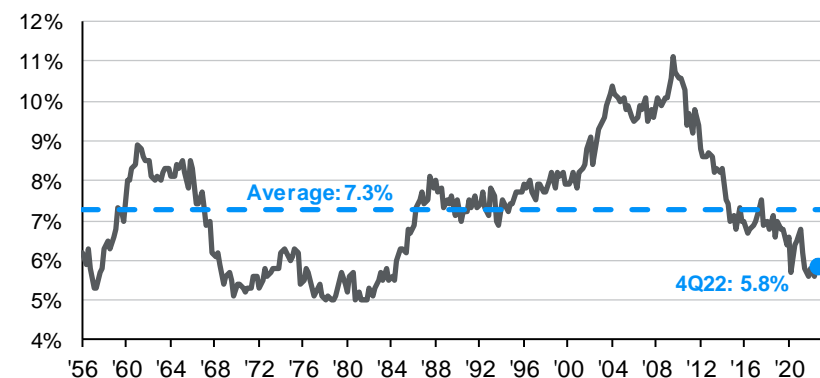
## Housing inventories

Inventory of new and existing single family homes for sale, thous, SA\*



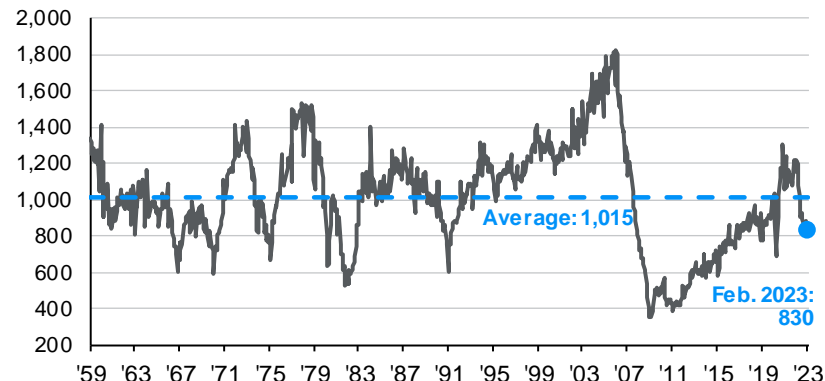
## Rental vacancy rate

Percent



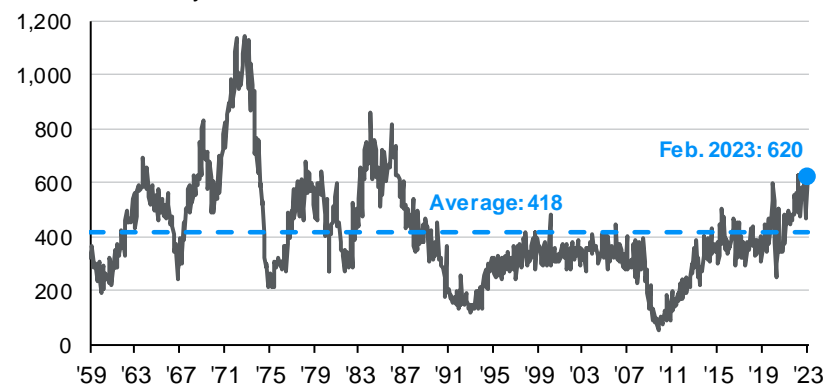
## Single-family housing starts

Seasonally adjusted annual rate (SAAR), thous houses



## Multi-family housing starts

Total multi-family, SAAR, thous houses



Source: U.S. Census Bureau, U.S. National Association of Realtors, J.P. Morgan Asset Management. \*Inventory of new and existing single family homes for sale is seasonally adjusted by J.P. Morgan Asset Management.  
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# Federal finances

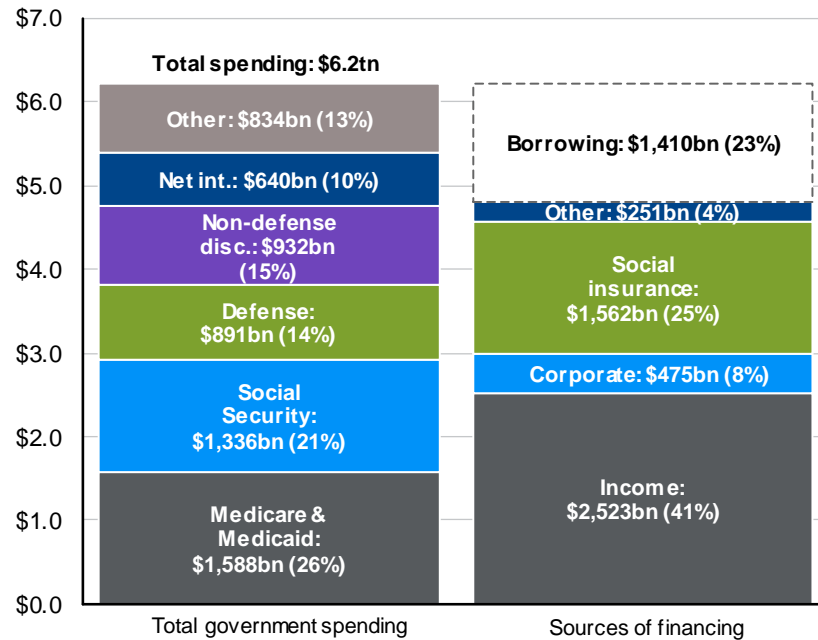
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## The 2023 federal budget

CBO Baseline forecast, USD trillions

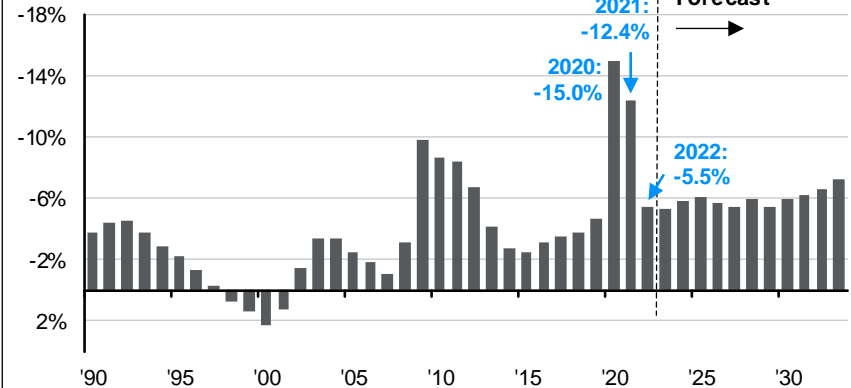


### CBO's Baseline economic assumptions

	2023	'24-'25	'26-'27	'28-'33
Real GDP growth	0.3%	1.9%	2.4%	1.9%
10-year Treasury	3.8%	3.8%	3.8%	3.8%
Headline inflation (CPI)	5.7%	2.8%	2.1%	2.2%
Unemployment	4.3%	4.9%	4.5%	4.5%

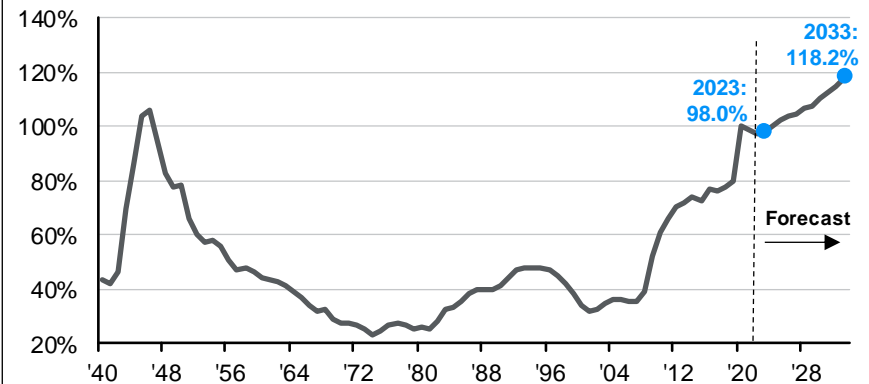
## Federal budget surplus/deficit

% of GDP, 1990 – 2033, CBO Baseline Forecast



## Federal net debt (accumulated deficits)

% of GDP, 1940 – 2033, CBO Baseline Forecast, end of fiscal year



Source: CBO, J.P. Morgan Asset Management; (Top and bottom right) BEA, Treasury Department.

Estimates are based on the Congressional Budget Office (CBO) February 2023 Update to the Budget and Economic Outlook. Other spending includes, but is not limited to, health insurance subsidies, income security and federal civilian and military retirement. Note: Years shown are fiscal years. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.

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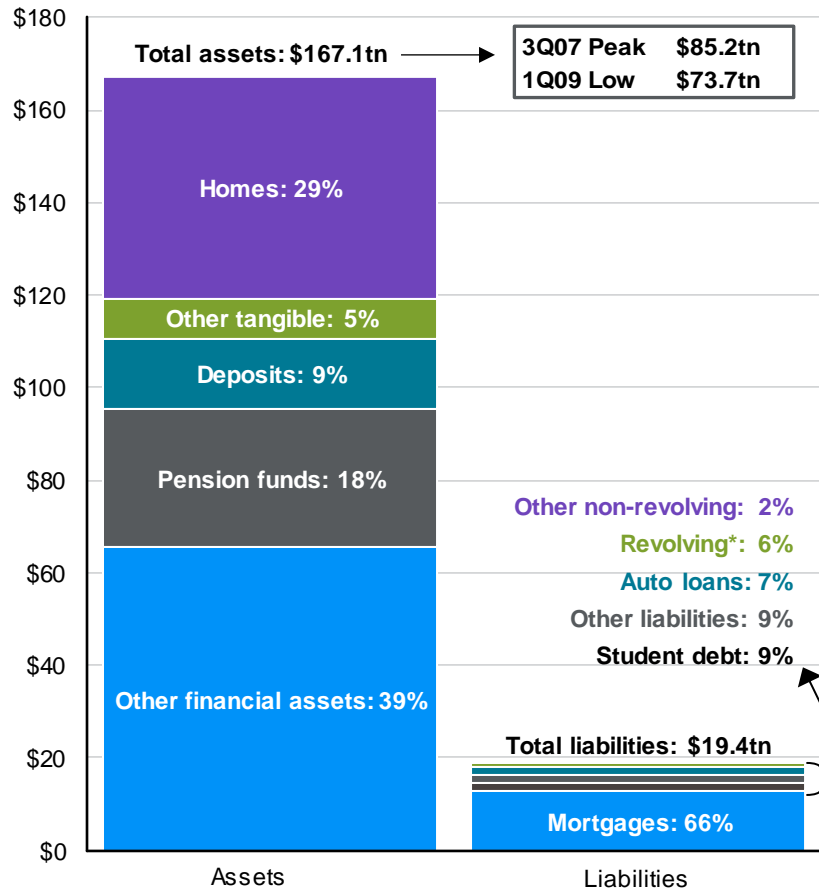
# Consumer finances

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Economy

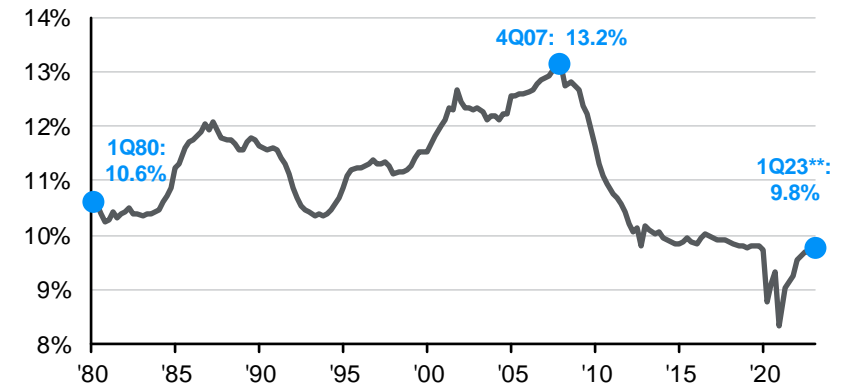
## Consumer balance sheet

4Q22, USD trillions, not seasonally adjusted



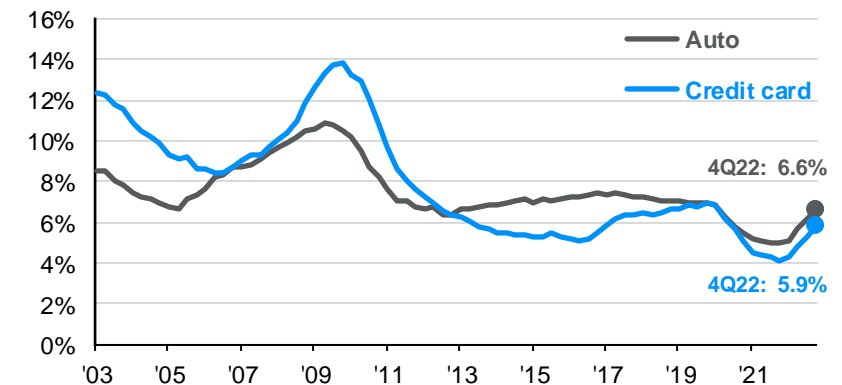
## Household debt service ratio

Debt payments as % of disposable personal income, SA



## Flows into early delinquencies, auto and credit card loans

% of balance delinquent 30+ days



Source: FactSet, FRB, J.P. Morgan Asset Management; (Top right) BEA; (Bottom right) Equifax, New York Fed.  
Data include households and nonprofit organizations. SA – seasonally adjusted. \*Revolving includes credit cards. Values may not sum to 100% due to rounding. \*\*1Q23 figures for debt service ratio are J.P. Morgan Asset Management estimates.  
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# Consumer saving and borrowing

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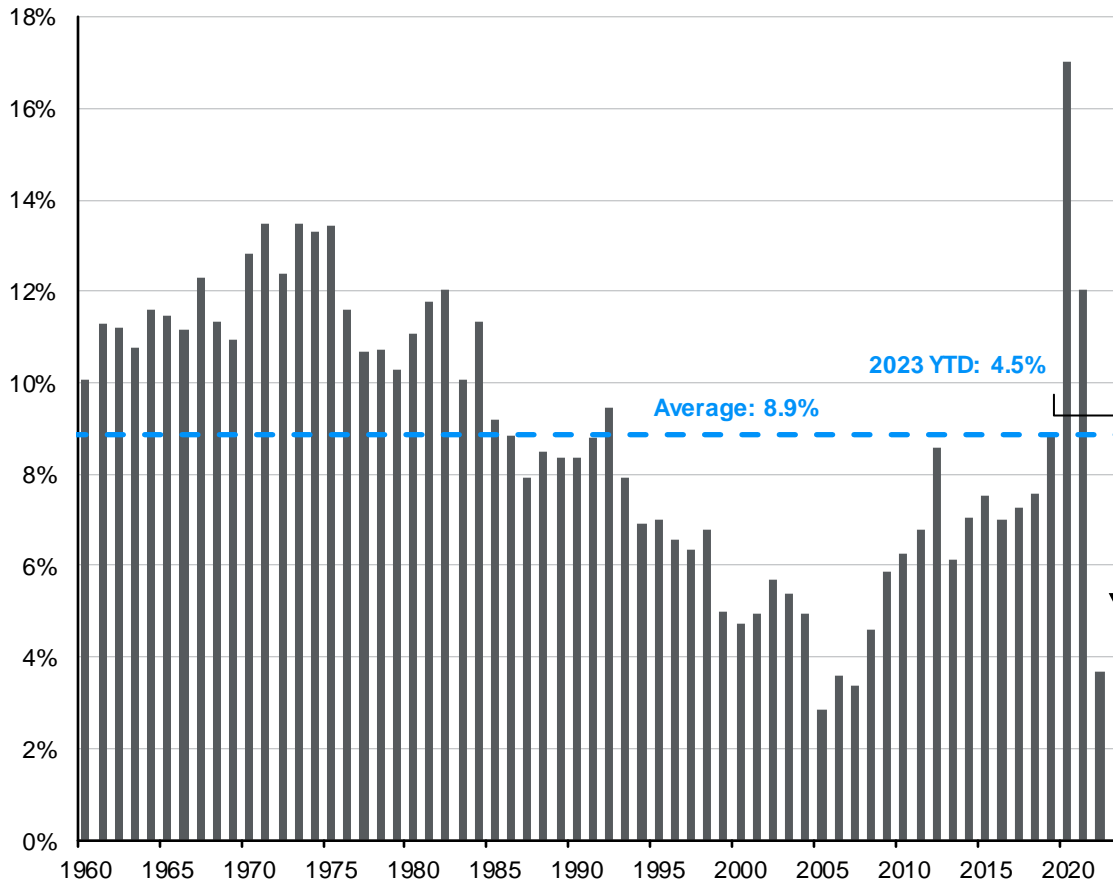
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## Personal saving rate

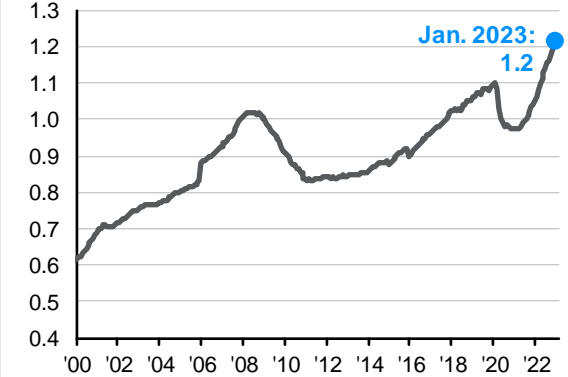
Personal savings as a % of disposable personal income, annual



Source: BEA, Federal Reserve, J.P. Morgan Asset Management.  
Guide to the Markets – U.S. Data are as of March 31, 2023.

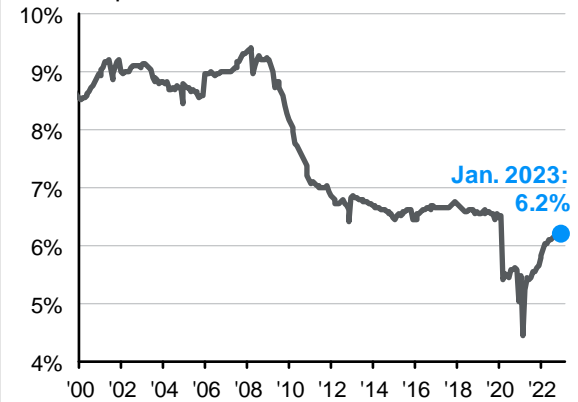
## Revolving consumer credit outstanding

USD trillions, SA



## Revolving consumer credit outstanding

% of disposable income, SAAR



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# Bank capitalization and lending sentiment

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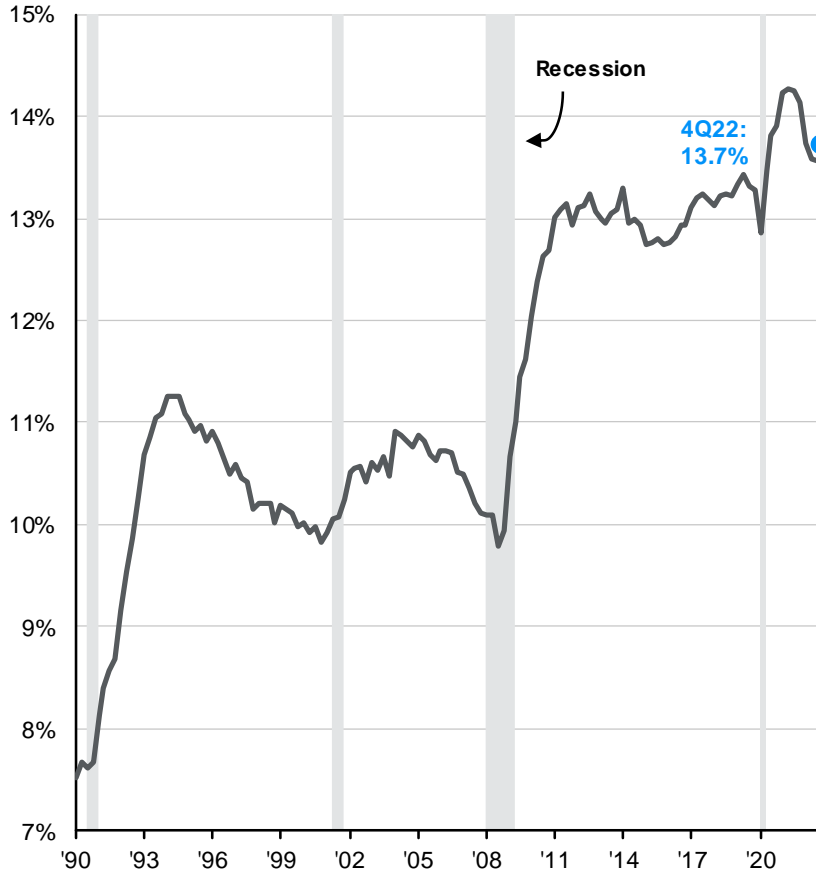
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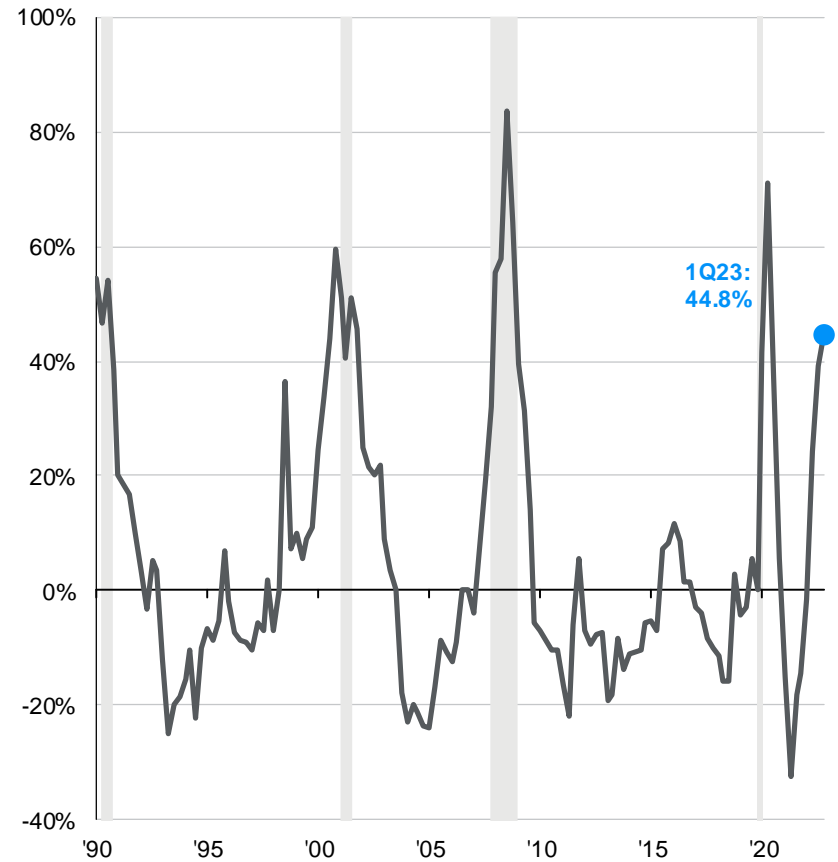
## U.S. bank tier 1 capital ratio

Tier 1 capital as a % of risk-weighted assets



## Net percentage of banks tightening lending standards

Commercial and industrial loans for large and middle-market firms



Source: Bloomberg, FDIC, Federal Reserve, J.P. Morgan Asset Management. The tier 1 capital ratio is the ratio of a bank's core tier 1 capital (equity capital and disclosed reserves) to its total risk-weighted assets. It is a key measure of a bank's financial strength that has been adopted as part of the Basel III Accord on bank regulation.

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# Consumer confidence and the stock market

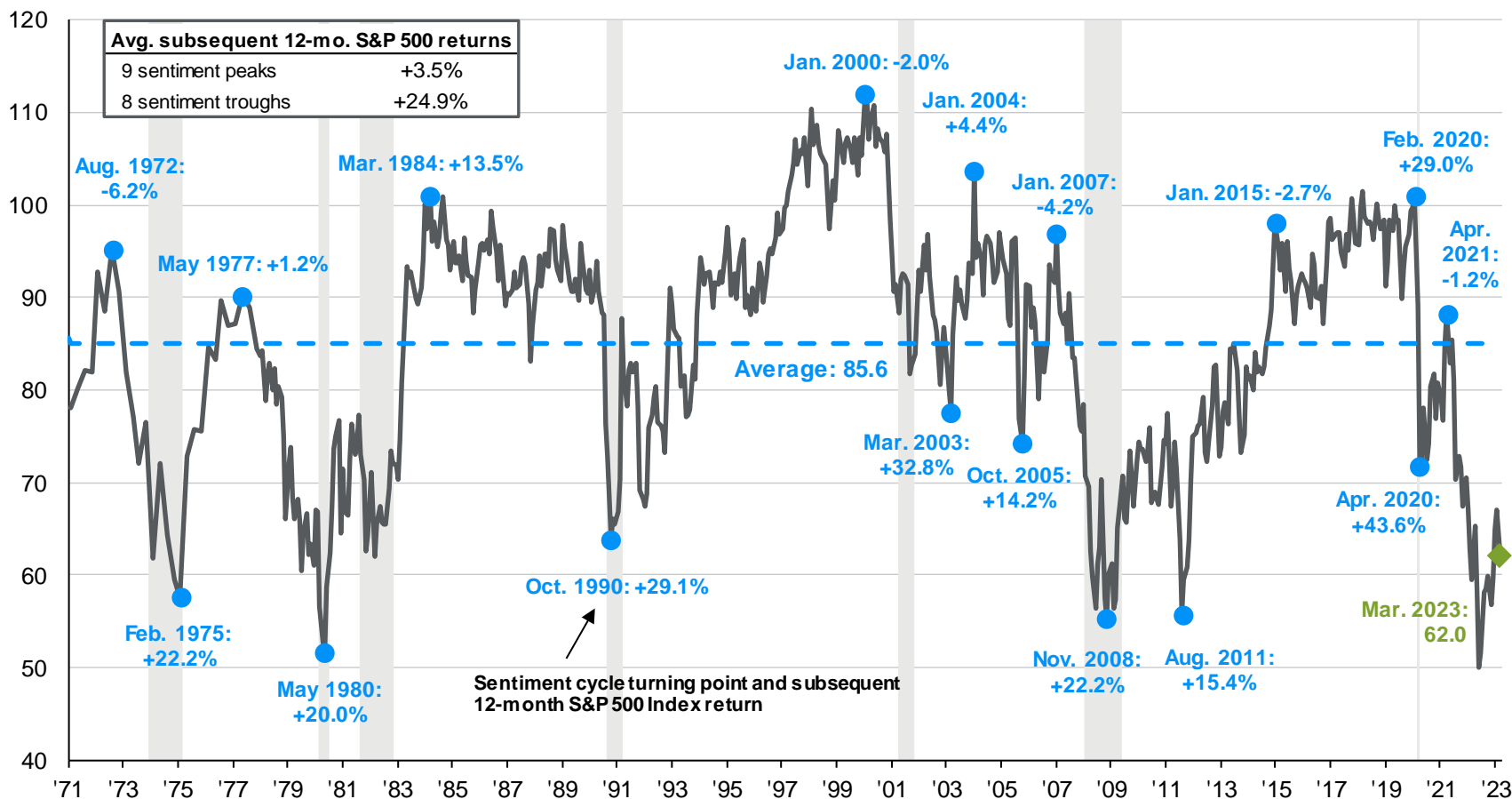
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## Consumer Sentiment Index and subsequent 12-month S&P 500 returns



Source: FactSet, Standard & Poor's, University of Michigan, J.P. Morgan Asset Management.

Peak is defined as the highest index value before a series of lower lows, while a trough is defined as the lowest index value before a series of higher highs. Subsequent 12-month S&P 500 returns are price returns only, which excludes dividends. Past performance is not a reliable indicator of current and future results.

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# Labor demand

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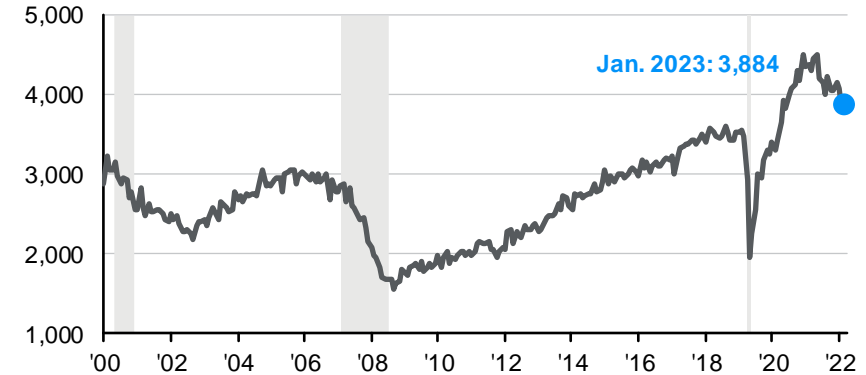
## JOLTS job openings\*

Total job openings, thousands, seasonally adjusted



## JOLTS quits

Total nonfarm quits, thousands, seasonally adjusted



## JOLTS layoffs

Total nonfarm layoffs, thousands, seasonally adjusted



Source: U.S. Department of Labor, J.P. Morgan Asset Management. \*JOLTS job openings from February 1974 to November 2000 are J.P. Morgan Asset Management estimates.

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# Unemployment and wages

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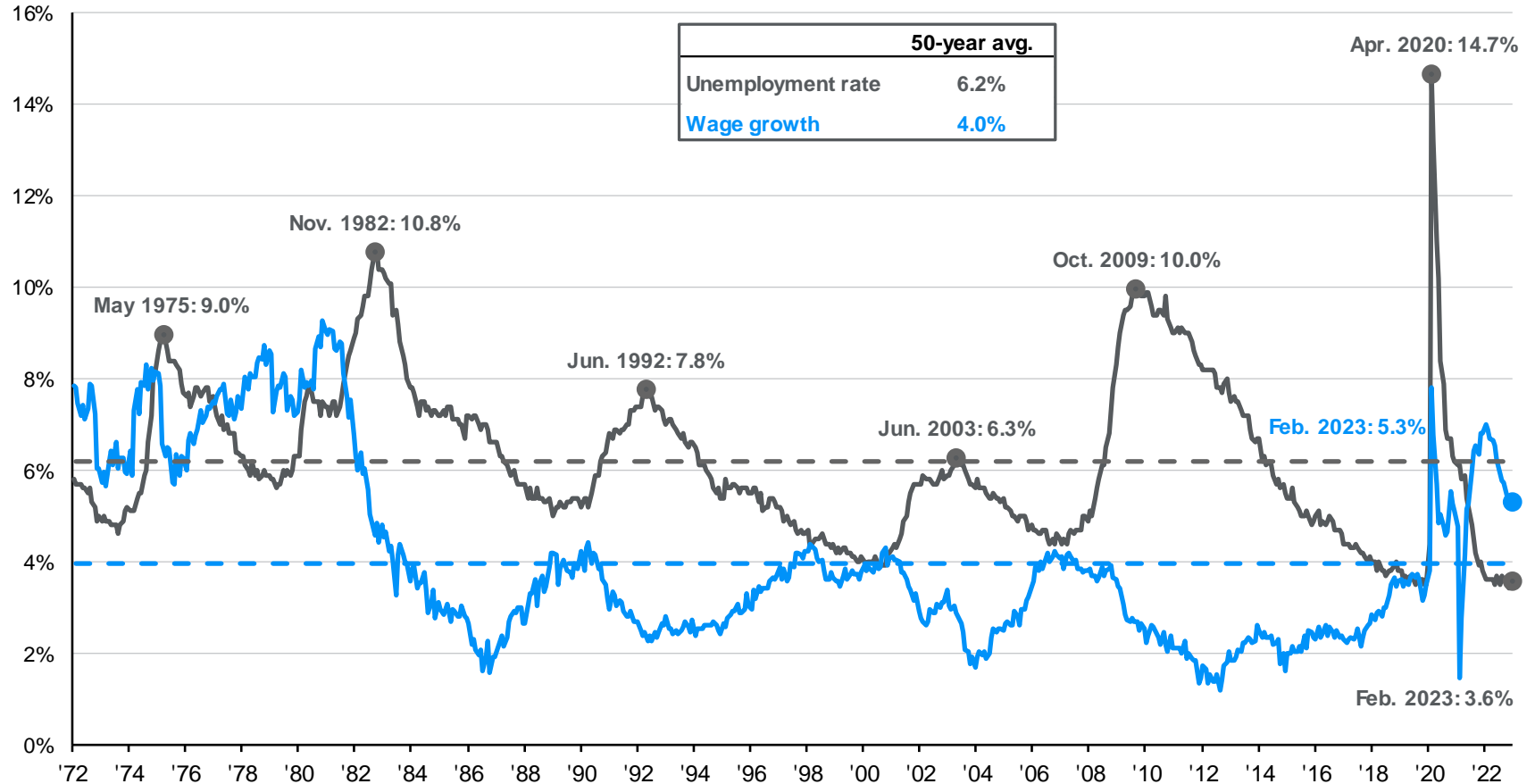
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## Civilian unemployment rate and year-over-year wage growth

Private production and non-supervisory workers, seasonally adjusted, percent



Source: BLS, FactSet, J.P. Morgan Asset Management. Private production and non-supervisory workers represent 70% of the nonfarm workforce. Guide to the Markets – U.S. Data are as of March 31, 2023.

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# Inflation

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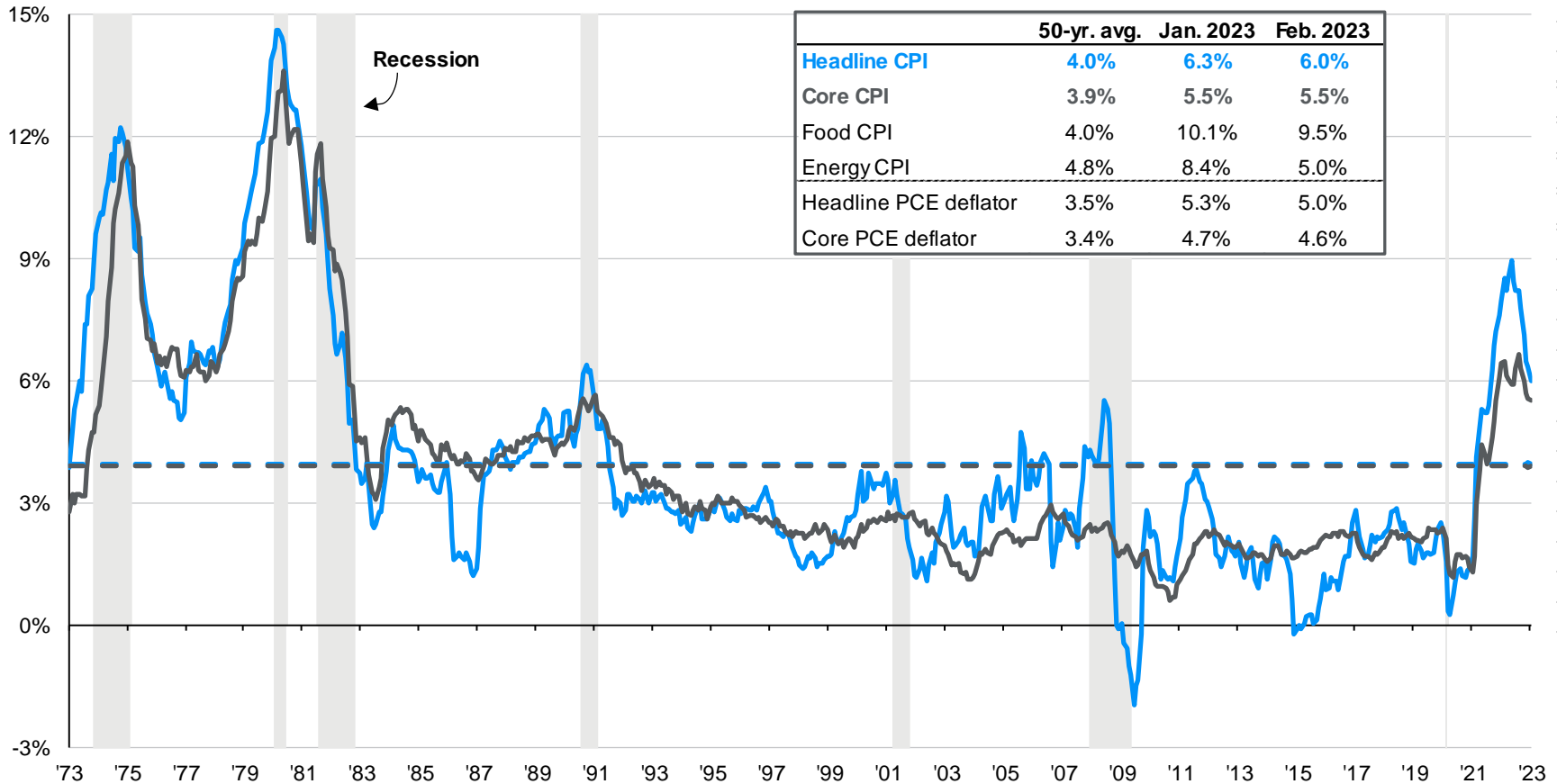
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Economy

## CPI and core CPI

% change vs. prior year, seasonally adjusted



Source: BLS, FactSet, J.P. Morgan Asset Management.

CPI used is CPI-U and values shown are % change vs. one year ago. Core CPI is defined as CPI excluding food and energy prices. The Personal Consumption Expenditure (PCE) deflator employs an evolving chain-weighted basket of consumer expenditures instead of the fixed-weight basket used in CPI calculations.

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# Inflation heatmap

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## Consumer Price Index, components

m/m % change, seasonally adjusted

	Weight	2021												2022												2023	
		Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb		
Headline CPI, y/y	100.0	2.6%	4.1%	4.9%	5.3%	5.2%	5.2%	5.4%	6.2%	6.9%	7.2%	7.6%	8.0%	8.5%	8.2%	8.5%	8.9%	8.4%	8.2%	8.2%	7.8%	7.1%	6.4%	6.3%	6.0%		
Core CPI, y/y	79.5	1.7%	3.0%	3.8%	4.4%	4.2%	3.9%	4.0%	4.6%	5.0%	5.5%	6.1%	6.4%	6.5%	6.1%	6.0%	5.9%	5.9%	6.3%	6.6%	6.3%	6.0%	5.7%	5.5%	5.5%		
Core svcs. ex-housing PCE, y/y*	-	2.9%	4.3%	4.3%	4.2%	4.4%	4.4%	4.3%	4.4%	5.0%	5.0%	4.9%	4.8%	4.7%	4.5%	4.5%	4.6%	4.0%	4.2%	4.5%	4.7%	4.4%	4.3%	4.7%	4.7%		
Headline CPI, m/m	100.0	0.5%	0.7%	0.7%	0.8%	0.4%	0.4%	0.4%	0.9%	0.8%	0.8%	0.6%	0.7%	1.0%	0.4%	0.9%	1.2%	0.0%	0.2%	0.4%	0.5%	0.2%	0.1%	0.5%	0.4%		
Core CPI, m/m	79.5	0.3%	0.8%	0.7%	0.7%	0.3%	0.2%	0.3%	0.7%	0.6%	0.7%	0.6%	0.5%	0.3%	0.5%	0.6%	0.6%	0.3%	0.6%	0.6%	0.3%	0.3%	0.4%	0.4%	0.5%		
Core svcs. ex-housing PCE, m/m*	-	0.6%	0.5%	0.4%	0.4%	0.5%	0.3%	0.2%	0.2%	0.6%	0.5%	0.2%	0.3%	0.5%	0.3%	0.3%	0.6%	-0.1%	0.5%	0.5%	0.4%	0.3%	0.4%	0.5%	0.3%		
Energy	6.9	3.5%	0.2%	0.3%	1.5%	1.7%	2.8%	1.5%	3.6%	2.6%	2.4%	0.8%	2.7%	8.2%	-1.0%	3.4%	6.9%	-4.7%	-3.9%	-1.7%	1.7%	-1.4%	-3.1%	2.0%	-0.6%		
Gasoline	3.2	6.3%	-0.6%	-0.1%	2.5%	2.5%	4.5%	1.5%	4.1%	4.2%	3.8%	-0.3%	4.7%	13.2%	-3.1%	3.2%	10.3%	-8.1%	-8.4%	-4.2%	3.4%	-2.3%	-7.0%	2.4%	1.0%		
Electricity	2.5	-0.1%	0.9%	0.4%	0.0%	0.2%	0.7%	1.0%	1.6%	0.7%	0.9%	2.7%	-0.3%	1.7%	0.9%	1.3%	1.5%	1.5%	1.2%	0.8%	0.5%	0.5%	1.3%	0.5%	0.5%		
Utility Gas	0.9	2.4%	1.6%	1.1%	1.2%	2.0%	1.6%	2.2%	6.7%	0.5%	0.1%	0.5%	2.0%	0.6%	2.5%	7.2%	7.5%	-3.8%	3.5%	2.2%	-3.7%	-3.4%	3.5%	6.7%	-8.0%		
Food	13.5	0.1%	0.3%	0.4%	0.7%	0.6%	0.4%	0.9%	0.9%	0.8%	0.6%	0.8%	1.0%	0.9%	0.8%	1.1%	1.0%	1.1%	0.8%	0.8%	0.7%	0.6%	0.4%	0.5%	0.4%		
Food at home	8.7	0.1%	0.3%	0.3%	0.8%	0.5%	0.4%	1.2%	1.0%	1.0%	0.6%	0.9%	1.3%	1.3%	0.9%	1.3%	1.0%	1.3%	0.8%	0.7%	0.5%	0.6%	0.5%	0.4%	0.3%		
Food away from home	4.8	0.1%	0.3%	0.6%	0.7%	0.8%	0.4%	0.5%	0.8%	0.6%	0.6%	0.7%	0.4%	0.3%	0.6%	0.7%	0.9%	0.7%	0.9%	0.9%	0.9%	0.5%	0.4%	0.6%	0.6%		
Core goods	21.4	0.1%	1.9%	1.7%	1.9%	0.3%	0.3%	0.3%	1.3%	1.1%	1.4%	0.9%	0.3%	-0.4%	0.1%	0.6%	0.6%	0.1%	0.4%	0.0%	-0.1%	-0.2%	-0.1%	0.1%	0.0%		
Apparel	2.5	0.1%	1.0%	0.8%	0.6%	0.0%	0.3%	-0.5%	1.0%	0.7%	0.9%	0.7%	0.6%	0.3%	-0.1%	0.4%	0.7%	-0.1%	0.3%	0.0%	-0.2%	0.1%	0.2%	0.8%	0.8%		
New vehicles	4.3	0.0%	-0.1%	1.1%	1.6%	1.4%	1.2%	1.3%	1.5%	1.6%	1.8%	0.3%	0.1%	0.1%	0.4%	0.6%	0.5%	0.5%	0.8%	0.7%	0.6%	0.5%	0.6%	0.2%	0.2%		
Used cars	2.7	0.6%	9.6%	7.7%	9.1%	-0.4%	-1.3%	-0.5%	3.1%	3.2%	3.9%	1.4%	-0.6%	-3.6%	-0.7%	1.9%	0.5%	-0.8%	-0.2%	-1.1%	-1.7%	-2.0%	-2.0%	-1.9%	-2.8%		
Medical care commod	1.5	0.1%	0.6%	0.0%	-0.4%	0.2%	-0.2%	0.3%	0.6%	0.1%	0.0%	0.9%	0.3%	0.2%	0.1%	0.3%	0.4%	0.6%	0.2%	-0.1%	0.0%	0.2%	0.1%	1.1%	0.1%		
Core services	58.2	0.3%	0.4%	0.4%	0.3%	0.3%	0.1%	0.2%	0.4%	0.4%	0.4%	0.4%	0.5%	0.6%	0.6%	0.6%	0.6%	0.4%	0.6%	0.8%	0.5%	0.5%	0.6%	0.5%	0.6%		
Shelter	34.4	0.3%	0.4%	0.3%	0.4%	0.5%	0.2%	0.4%	0.4%	0.5%	0.4%	0.3%	0.6%	0.5%	0.5%	0.6%	0.6%	0.6%	0.7%	0.7%	0.7%	0.6%	0.8%	0.7%	0.8%		
Rent of primary res.	7.5	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	0.4%	0.4%	0.4%	0.4%	0.5%	0.6%	0.4%	0.6%	0.6%	0.8%	0.7%	0.7%	0.8%	0.7%	0.8%	0.8%	0.7%	0.8%		
OER	25.4	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%	0.4%	0.5%	0.5%	0.5%	0.5%	0.6%	0.7%	0.6%	0.7%	0.8%	0.6%	0.7%	0.8%	0.7%	0.7%		
Medical care services	6.7	0.1%	0.0%	-0.1%	-0.1%	0.1%	0.2%	0.0%	0.6%	0.5%	0.5%	0.5%	0.1%	0.6%	0.5%	0.4%	0.7%	0.4%	0.7%	0.8%	-0.4%	-0.5%	0.3%	-0.7%	-0.7%		
Transportation services	5.8	1.1%	1.3%	1.9%	0.9%	-0.8%	-0.7%	-0.9%	0.0%	1.2%	0.5%	0.7%	1.1%	2.1%	2.2%	1.6%	1.8%	-0.4%	1.0%	1.9%	0.6%	0.3%	0.6%	0.9%	1.1%		

Source: BLS, FactSet, J.P. Morgan Asset Management. Heatmap shading is relative to the two-year period shown. Component weights may not add to 100. OER refers to owner's equivalent rent. \*Core services ex-housing is an approximation by J.P. Morgan Asset Management. It reflects the custom PCE index of services excluding energy and housing referenced in the U.S. Federal Reserve's Monetary Policy Report. Data for the custom PCE index is provided by the BEA and is distinct from the CPI data provided by the BLS. "Housing" is a PCE component that is measured separately from the CPI "shelter" component.

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# Inflation expectations

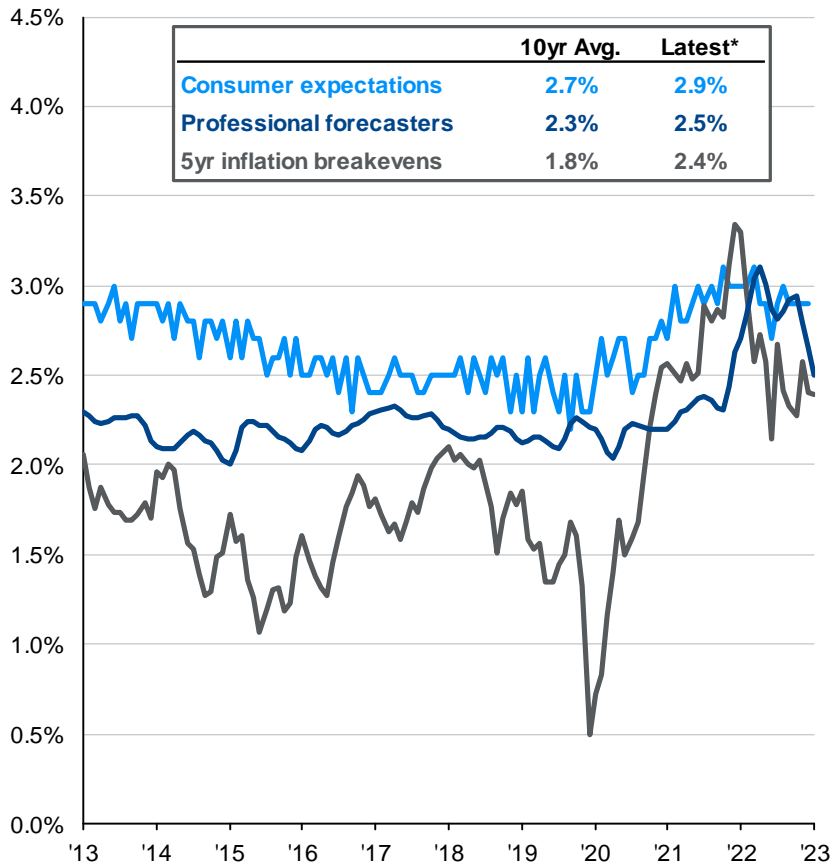
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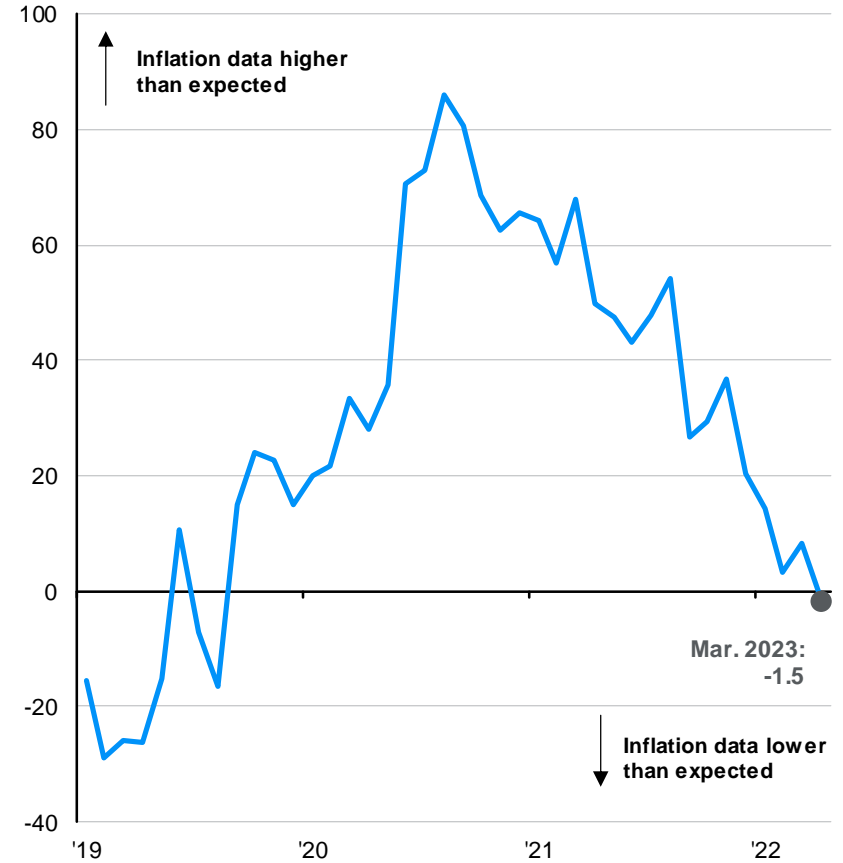
## Inflation expectations, next 5 years

% change vs. prior year, non-seasonally adjusted



## Citi Inflation Surprise Index

Monthly



Source: Bureau of Labor Statistics, Citi, FactSet, Federal Reserve Bank of Philadelphia, University of Michigan, J.P. Morgan Asset Management.  
\*Reflects the latest daily 5yr/5yr breakevens, preliminary or final Consumer Sentiment survey, and the quarterly Survey of Professional Forecasters interpolated to a monthly series. The Survey of Professional Forecasters reflects the median estimate by professional forecasters of average CPI inflation over the next 5 years. The series has been adjusted by J.P. Morgan Asset Management to exclude realized inflation readings within the forecast window. Citi Inflation Surprise Index: A reading above 0 means that data are on average coming in above consensus expectations.  
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# Dollar drivers

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Economy

## The U.S. dollar

U.S. Dollar Index



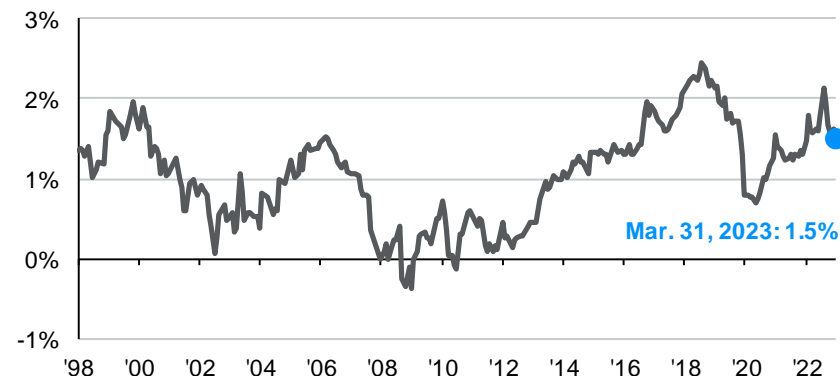
## The U.S. trade balance

Current account balance, % of GDP



## Developed markets interest rate differentials

Difference between U.S. and international 10-year yields\*



Source: J.P. Morgan Asset Management; (Left) FactSet, ICE; (Top right) Bureau of Economic Analysis, FactSet; (Bottom right) Tullett Prebon. Currencies in the DXY Index are: British pound, Canadian dollar, euro, Japanese yen, Swedish krona and Swiss franc. \*Interest rate differential is the difference between the 10-year U.S. Treasury yield and a basket of the 10-year yields of each major trading partner (Australia, Canada, Europe, Japan, Sweden, Switzerland and UK). Weights in the basket are calculated using the 10-year average of total government bonds outstanding in each region. Europe is defined as the 19 countries in the euro area. *Guide to the Markets – U.S.* Data are as of March 31, 2023.

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# Oil markets

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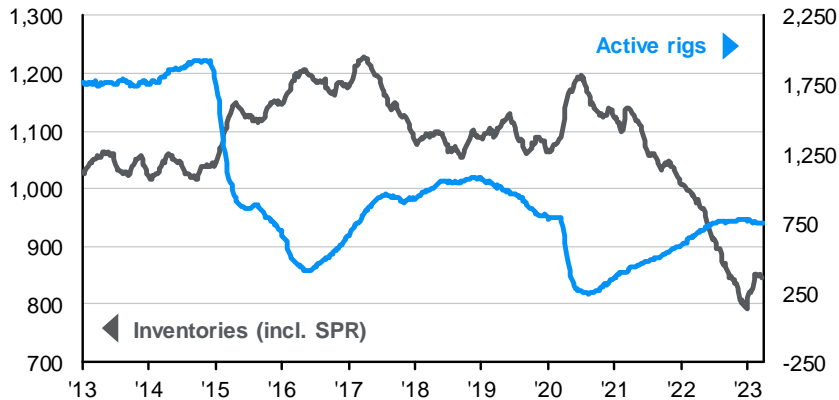
## Change in production and consumption of liquid fuels

Production, consumption and inventories, millions of barrels per day

Production	2019	2020	2021	2022	2023*	Growth since '19
U.S.	19.5	18.6	19.0	20.2	21.1	7.9%
OPEC	34.6	30.7	31.7	34.2	34.1	-1.6%
Russia	11.5	10.5	10.8	10.9	10.3	-10.3%
<b>Global</b>	<b>100.3</b>	<b>93.9</b>	<b>95.7</b>	<b>99.9</b>	<b>101.5</b>	<b>1.2%</b>
Consumption	2019	2020	2021	2022	2023*	Growth since '19
U.S.	20.5	18.2	19.9	20.3	20.5	-0.4%
China	14.0	14.4	15.3	15.2	15.9	13.2%
<b>Global</b>	<b>100.9</b>	<b>91.6</b>	<b>97.1</b>	<b>99.4</b>	<b>100.9</b>	<b>0.0%</b>
Inventory Change	2019	2020	2021	2022	2023*	Growth since '19
	-0.6	2.3	-1.4	0.4	0.6	

## U.S. crude oil inventories and rig count\*\*

Million barrels, number of active rigs



## Price of oil

WTI crude, nominal prices, USD/barrel



Source: J.P. Morgan Asset Management; (Top and bottom left) EIA; (Right) FactSet; (Bottom left) Baker Hughes.

\*Forecasts are from the March 2023 EIA Short-Term Energy Outlook and start in 2023. \*\*U.S. crude oil inventories include the Strategic Petroleum Reserve (SPR). Liquid fuels include crude oil, natural gas, biodiesel and fuel ethanol. Active rig count includes both natural gas and oil rigs. WTI crude prices are continuous contract NYM prices in USD. Guide to the Markets – U.S. Data are as of March 31, 2023.



# The Fed and interest rates

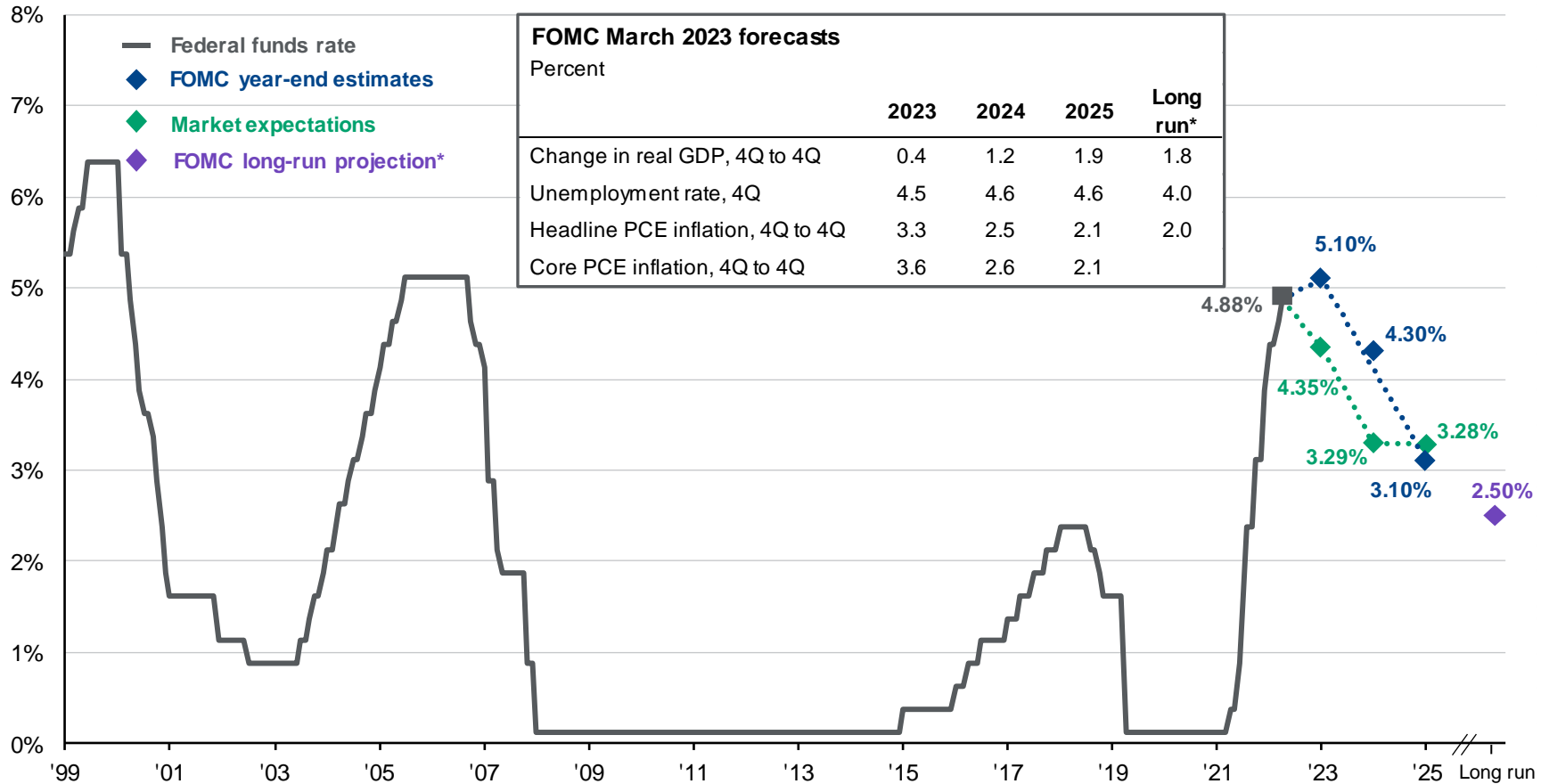
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## Federal funds rate expectations

FOMC and market expectations for the federal funds rate



Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.

Market expectations are based off of the respective Federal Funds Futures contracts for December expiry. \*Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.

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# Interest rates and inflation

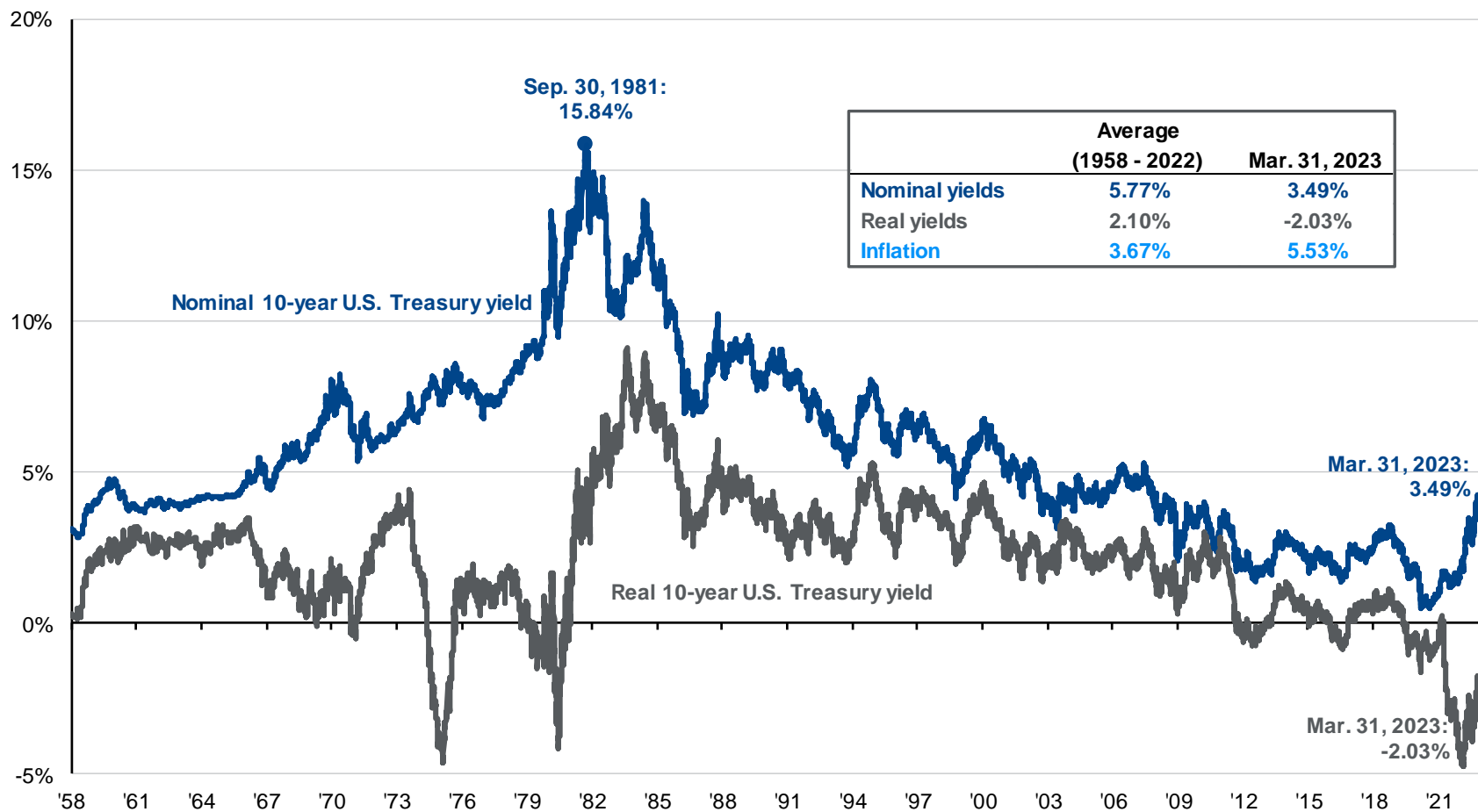
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Fixed Income

## Nominal and real U.S. 10-year Treasury yields



Source: BLS, FactSet, Federal Reserve, J.P. Morgan Asset Management.

Real 10-year Treasury yields are calculated as the daily Treasury yield less year-over-year core CPI inflation for that month. For the current month, we use the prior month's core CPI figures until the latest data is available.

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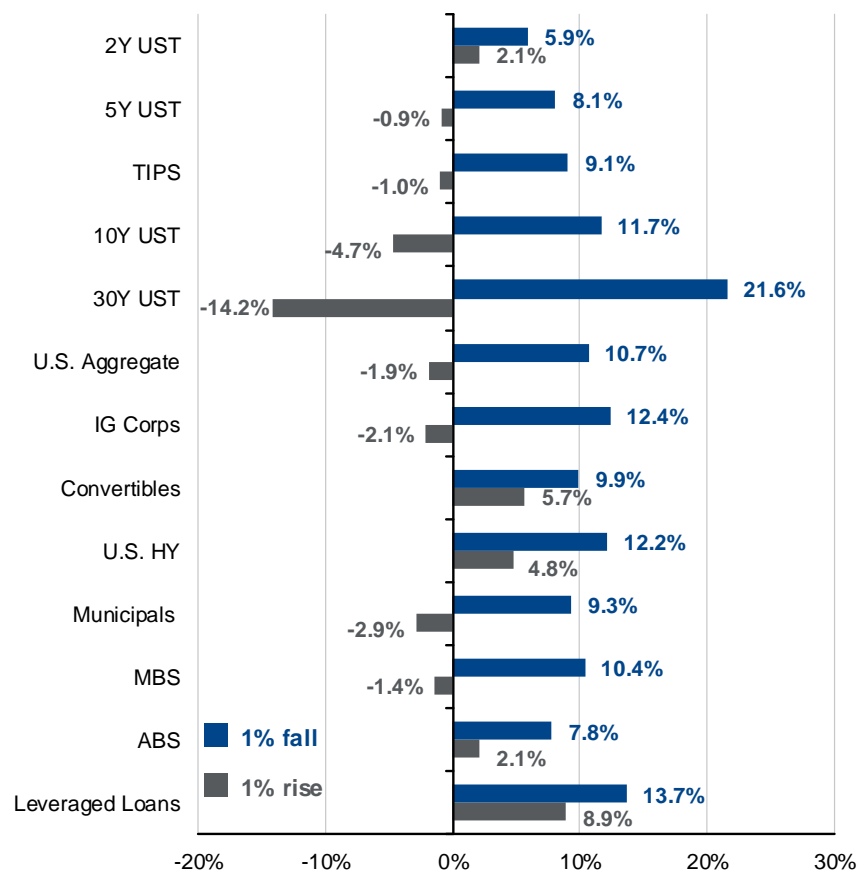


# Fixed income market dynamics

U.S. Treasuries	Yield		Return			
	3/31/2023	12/31/2022	2023 YTD	Avg. Maturity	Correlation to 10-year	Correlation to S&P 500
2-Year	4.06%	4.41%	1.46%	2 years	0.74	-0.15
5-Year	3.60%	3.99%	2.39%	5	0.93	-0.13
TIPS	1.16%	1.58%	3.34%	10	0.61	0.37
10-Year	3.48%	3.88%	3.76%	10	1.00	-0.14
30-Year	3.67%	3.97%	5.99%	30	0.93	-0.17
Sector						
U.S. Aggregate	4.40%	4.68%	2.96%	8.5	0.86	0.22
IG Corps	5.17%	5.42%	3.50%	11.1	0.54	0.47
Convertibles	7.42%	7.58%	3.60%	-	-0.14	0.87
U.S. HY	8.52%	8.96%	3.57%	5.3	-0.10	0.74
Municipals	3.25%	3.55%	2.78%	13.0	0.53	0.22
MBS	4.51%	4.71%	2.53%	7.4	0.78	0.15
ABS	5.61%	5.89%	1.86%	3.5	0.21	-0.01
Leveraged Loans	11.31%	11.41%	3.26%	2.4	-0.34	0.59

## Impact of a 1% rise or fall in interest rates

Total return, assumes a parallel shift in the yield curve



Source: Bloomberg, FactSet, Standard & Poor's, U.S. Treasury, J.P. Morgan Asset Management. Sectors shown above are provided by Bloomberg unless otherwise noted and are represented by – U.S. Aggregate; MBS: U.S. Aggregate Securitized – MBS; ABS: J.P. Morgan ABS Index; Corporates: U.S. Corporates; Municipals: Muni Bond; High Yield: Corporate High Yield; Leveraged Loans: J.P. Morgan Leveraged Loan Index; TIPS: Treasury Inflation-Protected Securities; Convertibles: U.S. Convertibles Composite. Convertibles yield is as of most recent month-end and is based on U.S. portion of Bloomberg Global Convertibles Index. Yield and return information based on bellwethers for Treasury securities. Sector yields reflect yield-to-worst. Convertibles yield is based on U.S. portion of Bloomberg Global Convertibles. Correlations are based on 15-years of monthly returns for all sectors. Past performance is not indicative of future results.  
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# Yield curve

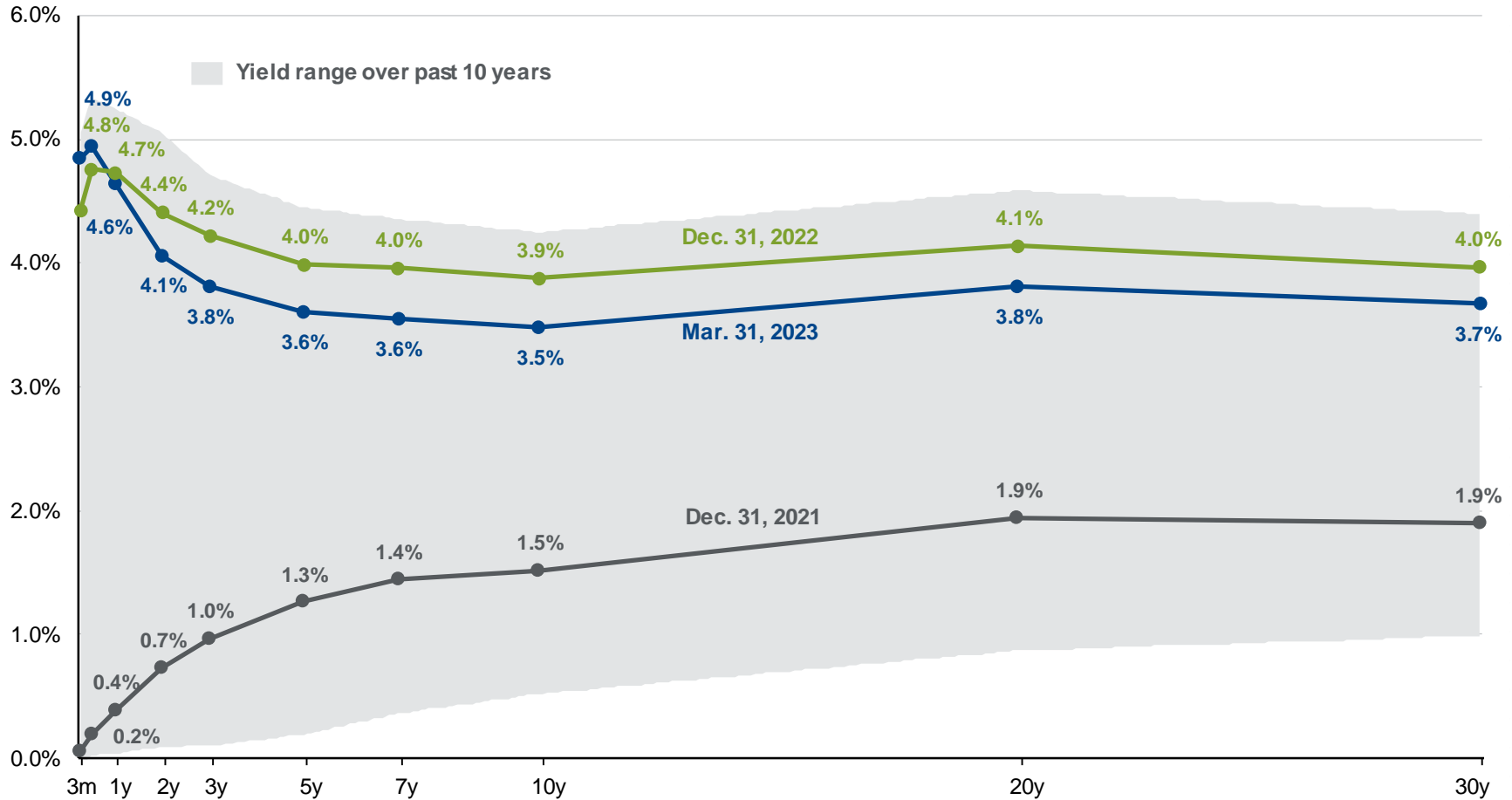
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Fixed Income

## U.S. Treasury yield curve



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management.  
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# High yield bonds

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## Default rate and spread-to-worst

Percent



Source: J.P. Morgan Global Economic Research, J.P. Morgan Asset Management.

Long-run average is based on monthly historical data beginning in January 1990. Default rates are defined as the par value percentage of the total market trading at or below 50% of par value and include any Chapter 11 filing, prepackaged filing or missed interest payments. The default rate is an LTM figure (last 12 months) and tracks the % of defaults over the period. Recovery rates are based on the price of the defaulted bonds or loans 30 days post the default date. Default and recovery rates are as of most recent month-end. Spread-to-worst indicated are the difference between the yield-to-worst of a bond and yield-to-worst of a U.S. Treasury security with a similar duration. High yield is represented by the J.P. Morgan Domestic High Yield Index.

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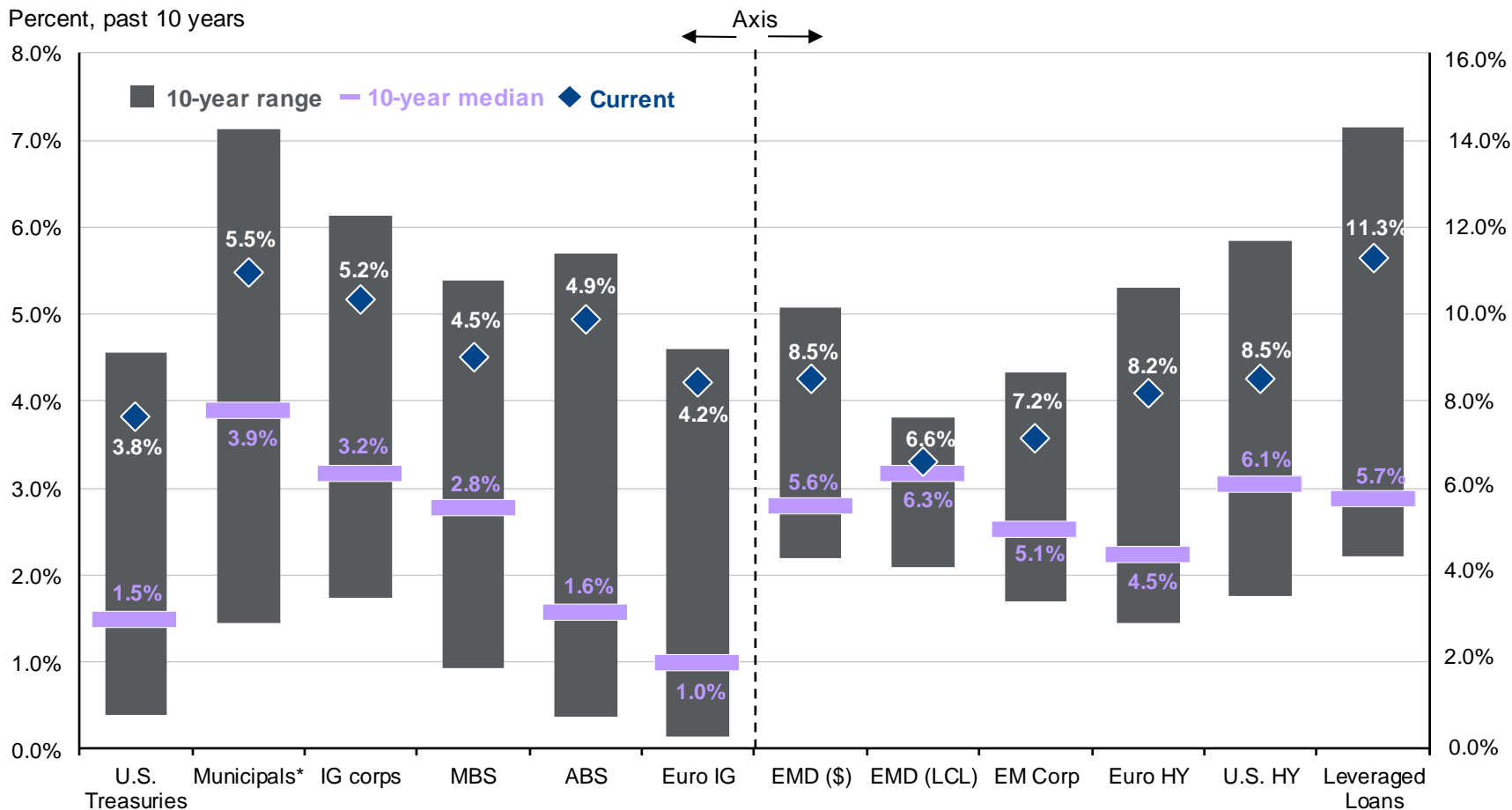


# Fixed income valuations

GTM U.S. 39

## Yield-to-worst across fixed income sectors

Percent, past 10 years



Source: Bloomberg, FactSet, J.P. Morgan Credit Research, J.P. Morgan Asset Management. Indices used are Bloomberg except for emerging market debt and leveraged loans: EMD (USD): J.P. Morgan EMIGLOBAL Diversified Index; EMD (LCL): J.P. Morgan GBI-EM Global Diversified Index; EM Corp.: J.P. Morgan CEMBI Broad Diversified; Leveraged Loans: JPM Leveraged Loan Index; Euro IG: Bloomberg Euro Aggregate Corporate Index; Euro HY: Bloomberg Pan-European High Yield Index. Yield-to-worst is the lowest possible yield that can be received on a bond apart from the company defaulting. All sectors shown are yield-to-worst except for Municipals, which is based on the tax-equivalent yield-to-worst assuming a top-income tax bracket rate of 37% plus a Medicare tax rate of 3.8%.

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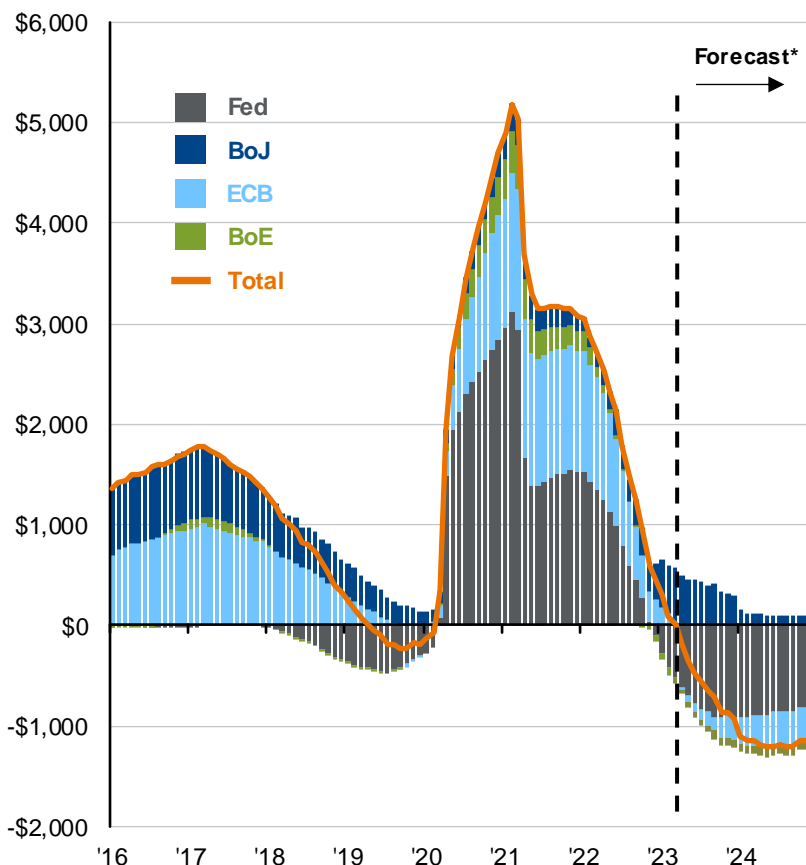


# Developed market monetary policy

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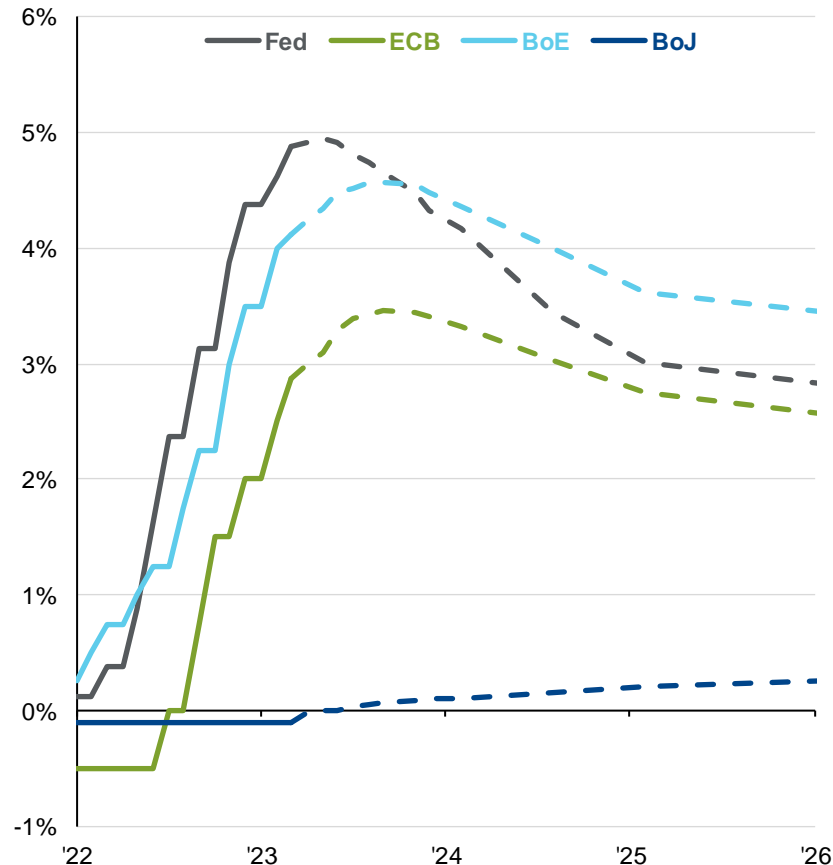
## Developed market central bank bond purchases

USD billions, 12-month rolling flow



## Historical policy rates and forward curves

Target policy rates and Global Overnight Index Swaps (OIS) curves



Source: BIS, Bloomberg, FactSet, J.P. Morgan Asset Management; (Left) Bank of England (BoE), Bank of Japan (BoJ), European Central Bank (ECB), Federal Reserve System (Fed), J.P. Morgan Global Economic Research. \*DM bond purchase forecasts are internal assumptions based on government bond purchases as outlined in the most recent monetary policy announcements from the BoE, BoJ, ECB and Federal Reserve through December 2024. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and are not a reliable indicator of future performance. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.

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# Global fixed income

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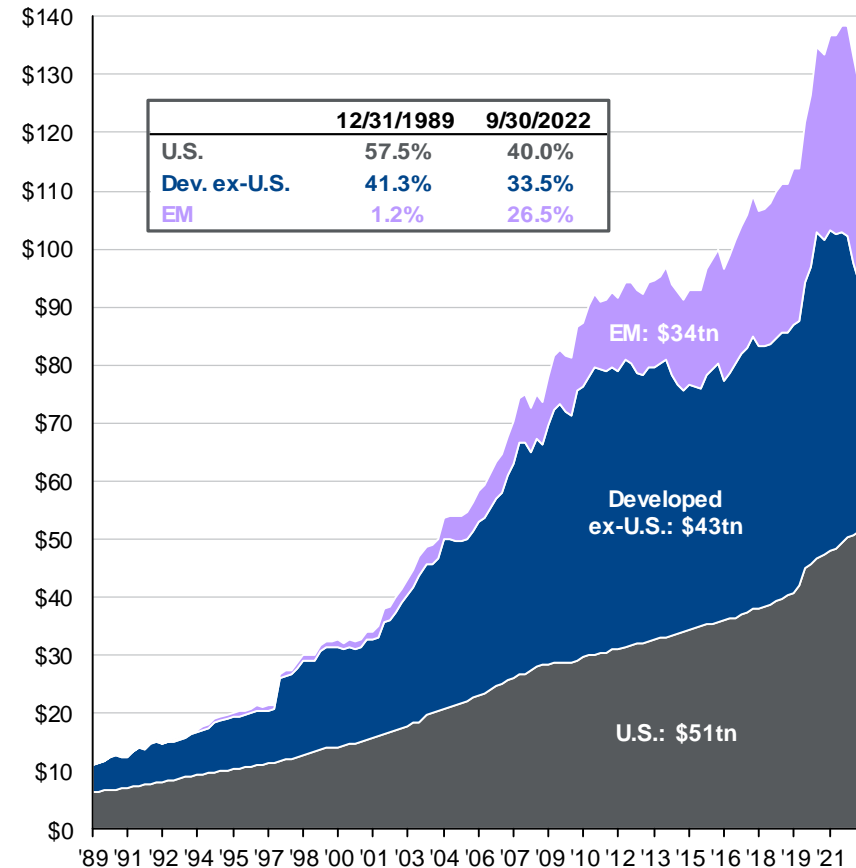
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Aggregates	Yield		2023 Return		Duration	Correlation to 10yr
	3/31/2023	12/31/2022	Local	USD		
<b>U.S.</b>	4.40%	4.68%	2.96%	2.96%	6.3 years	0.91
<b>Gbl. ex-U.S.</b>	2.99%	3.13%	-	3.02%	7.10	0.60
<b>Japan</b>	0.58%	0.75%	2.40%	1.52%	9.40	0.60
<b>Germany</b>	3.09%	3.22%	1.62%	3.45%	6.20	0.51
<b>UK</b>	4.15%	4.29%	1.87%	4.71%	8.40	0.51
<b>Italy</b>	3.80%	4.10%	3.52%	5.38%	6.20	0.38
<b>China</b>	2.93%	2.94%	0.15%	1.95%	5.80	0.57
<b>Sector</b>						
<b>Euro Corp.</b>	4.22%	4.32%	1.75%	3.58%	4.5 years	0.43
<b>Euro HY</b>	8.18%	8.32%	2.89%	4.74%	3.10	0.04
<b>EMD (USD)</b>	8.50%	8.55%	-	1.86%	6.00	0.35
<b>EMD (LCL)</b>	6.59%	6.86%	2.90%	5.16%	4.90	0.24
<b>EM Corp.</b>	7.16%	7.28%	-	2.24%	5.00	0.26

## Global bond market

USD trillions



Source: J.P. Morgan Asset Management; (Left) Bloomberg, FactSet; (Right) BIS.

Fixed income sectors shown above are provided by Bloomberg and are represented by the global aggregate for each country except where noted. EMD sectors are represented by the J.P. Morgan EMBIG Diversified Index (USD), the J.P. Morgan GBI EM Global Diversified Index (LCL) and the J.P. Morgan CEMBI Broad Diversified Index (Corp). European Corporates are represented by the Bloomberg Euro Aggregate Corporate Index and the Bloomberg Pan-European High Yield Index. Sector yields reflect yield-to-worst. Correlations are based on 10-years of monthly returns for all sectors. Past performance is not indicative of future results. Global bond market regional breakdown may not sum to 100% due to rounding.

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# Municipal finance

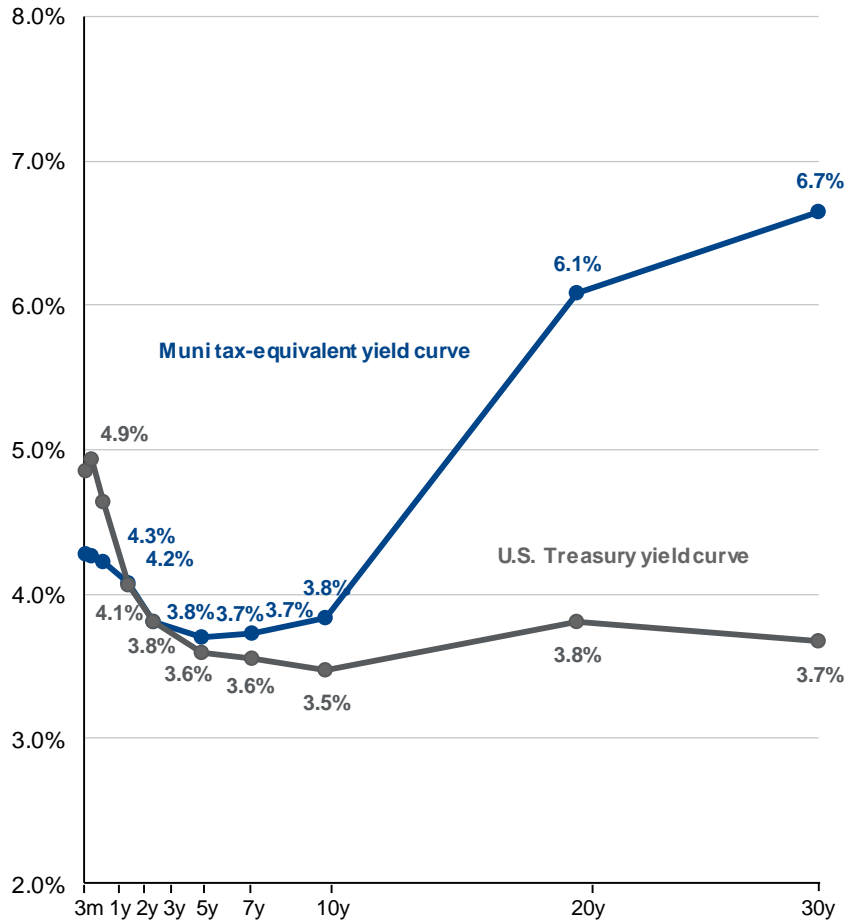
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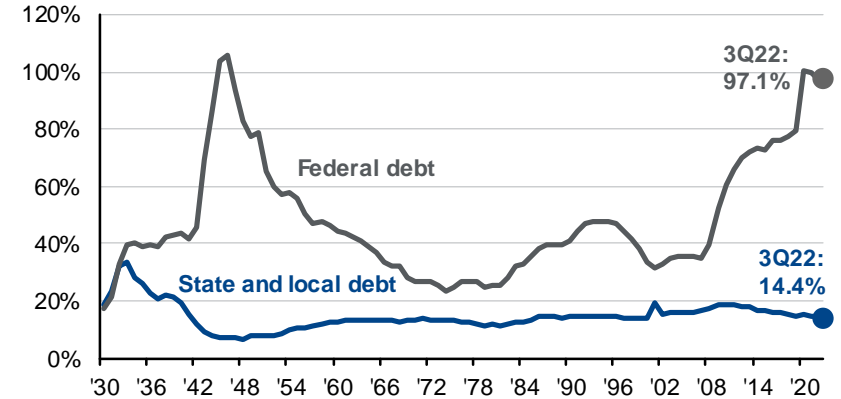
Fixed Income

## Muni tax-equivalent and Treasury yield curves



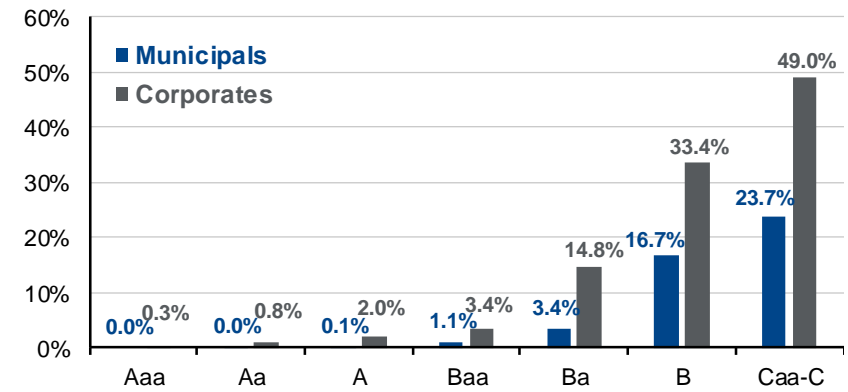
## State and local and federal net debt

% of GDP, 1930-2022, end of fiscal year



## Muni and corporate default rates

% of issuers defaulting within 10 years, 1970-2021



Source: J.P. Morgan Asset Management; (Left) Bloomberg, FactSet, Federal Reserve; (Top right) Census Bureau, Congressional Budget Office (CBO); (Bottom right) Moody's U.S. Public Finance: U.S. municipal bond defaults and recoveries, 1970 to 2021. State and local debt are based on the Census Bureau's Annual Survey of State and Local Government Finances. Municipal tax-equivalent yield assumes a top-income tax bracket rate of 37% plus a Medicare tax rate of 3.8% for a total tax rate of 40.8%. Municipal and corporate default rates are the average cumulative default rate over a 10-year horizon as calculated by Moody's.

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# Bloomberg U.S. Agg. annual returns and intra-year declines

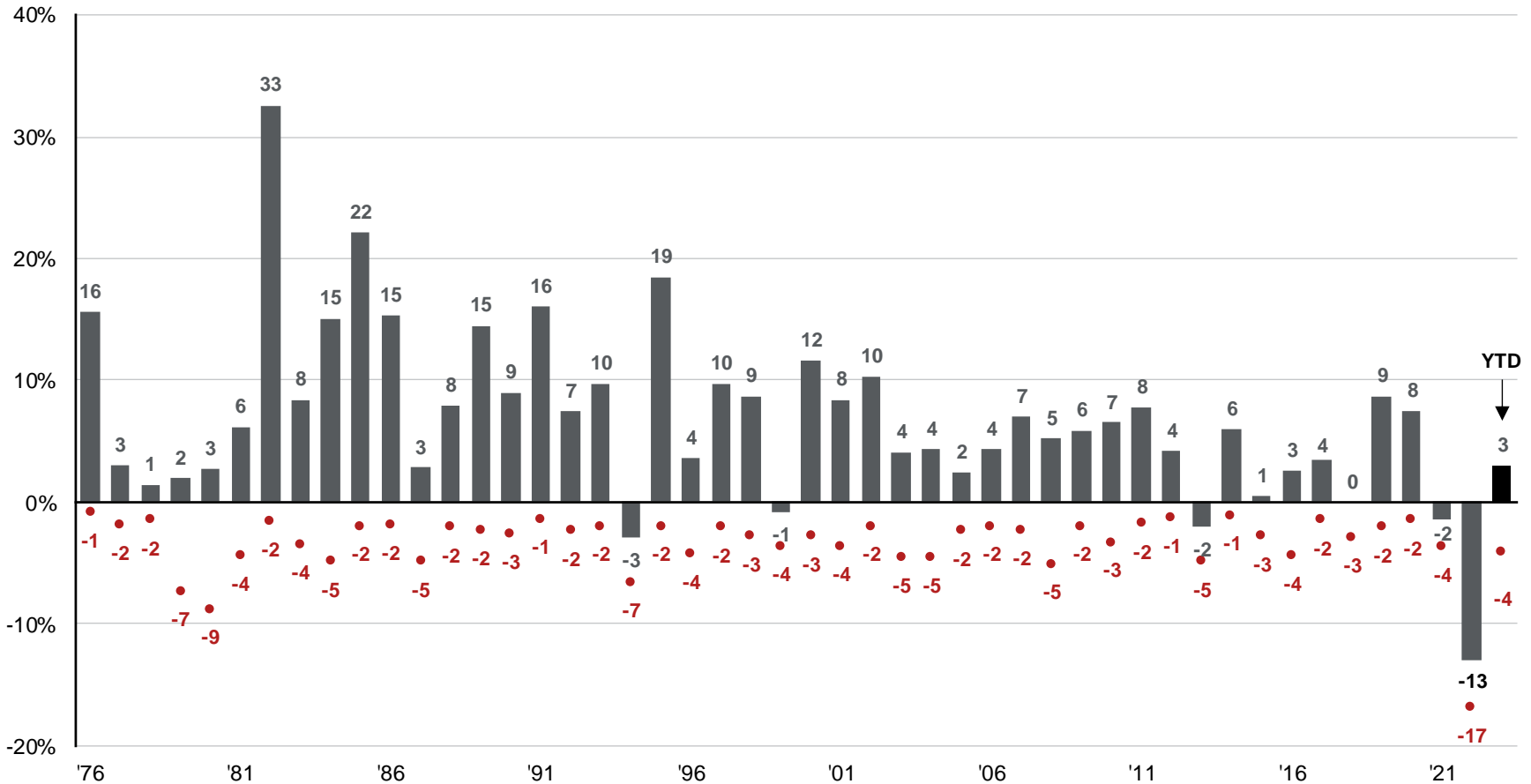
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## Bloomberg U.S. Aggregate intra-year declines vs. calendar year returns

Despite average intra-year drops of 3.3%, annual returns positive in 42 of 47 years



Source: Bloomberg, FactSet, J.P. Morgan Asset Management.

Returns are based on total return. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1976 to 2022, over which time period the average annual return was 6.6%. Returns from 1976 to 1989 are calculated on a monthly basis; daily data are used afterwards.

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# Global equity markets

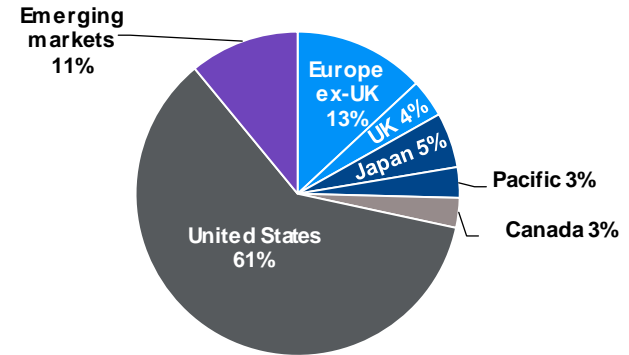
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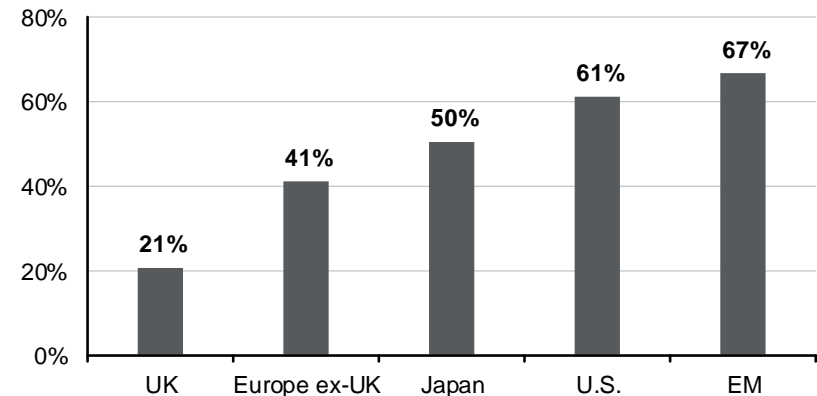
44

Returns	2023		2022		15-years	
	Local	USD	Local	USD	Ann.	Beta
<b>Regions</b>						
U.S. (S&P 500)	-	7.5	-	-18.1	8.8	0.9
AC World ex-U.S.	6.3	7.0	-9.2	-15.6	2.0	1.0
EAFE	7.7	8.6	-6.5	-14.0	2.3	1.0
Europe ex-UK	10.5	12.2	-12.2	-17.3	2.4	1.2
Emerging markets	3.8	4.0	-15.2	-19.7	1.0	1.1
<b>Selected Countries</b>						
Japan	7.3	6.4	-4.1	-16.3	2.5	0.7
United Kingdom	3.2	6.1	7.2	-4.8	1.4	1.0
France	12.7	14.7	-6.9	-12.7	2.8	1.2
Canada	4.4	4.5	-5.8	-12.2	3.0	0.7
Germany	12.8	14.8	-16.5	-21.6	0.9	1.3
China	5.1	4.7	-20.6	-21.8	0.6	1.0
India	-6.9	-6.3	3.0	-7.5	2.4	1.2
Korea	12.9	9.7	-24.4	-28.9	1.6	1.3
Brazil	-6.9	-3.1	8.6	14.6	-2.1	1.4

**Weights in MSCI All Country World Index**  
% global market capitalization, float adjusted



**Revenue exposure vs. country of listing**  
% of total revenue from home countries



Source: FactSet, Federal Reserve, MSCI, Standard & Poor's, J.P. Morgan Asset Management. All return values are MSCI Gross Index data. 15-year history based on USD returns. 15-year return and beta figures are calculated for the time period 12/31/2007 to 12/31/2022. Beta is for monthly returns relative to the MSCI AC World Index. Annualized volatility is calculated as the standard deviation of quarterly returns multiplied by the square root of 4. Chart is for illustrative purposes only. Please see disclosure page for index definitions. Past performance is not a reliable indicator of current and future results. Revenue exposure vs. country of listing is as of 3/31/2023.

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# Currency and international equity returns

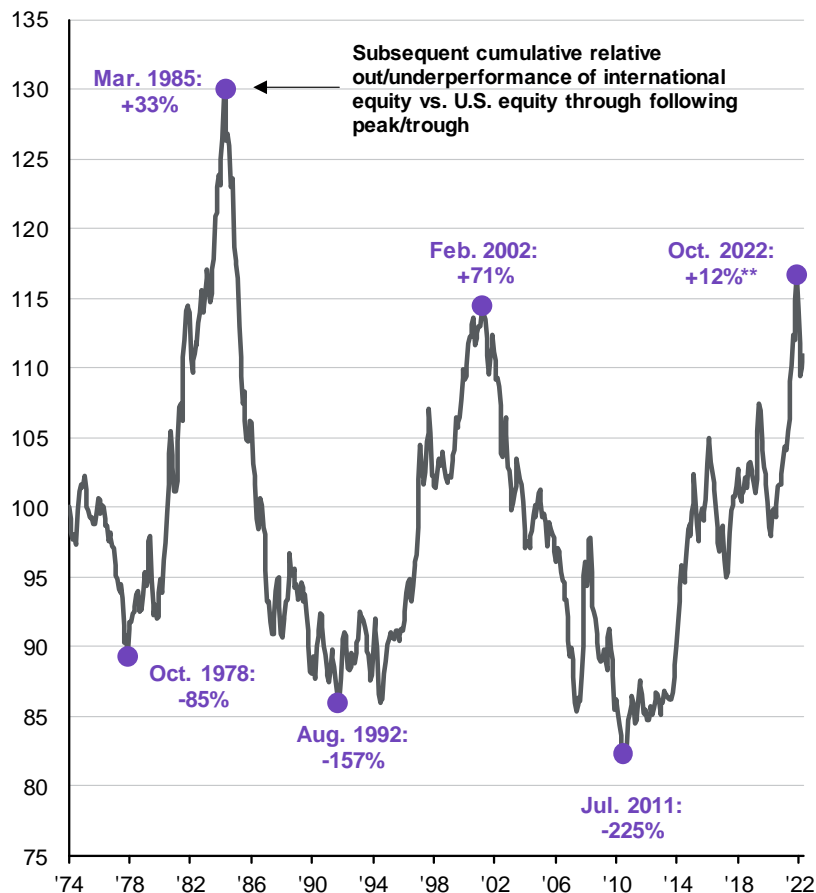
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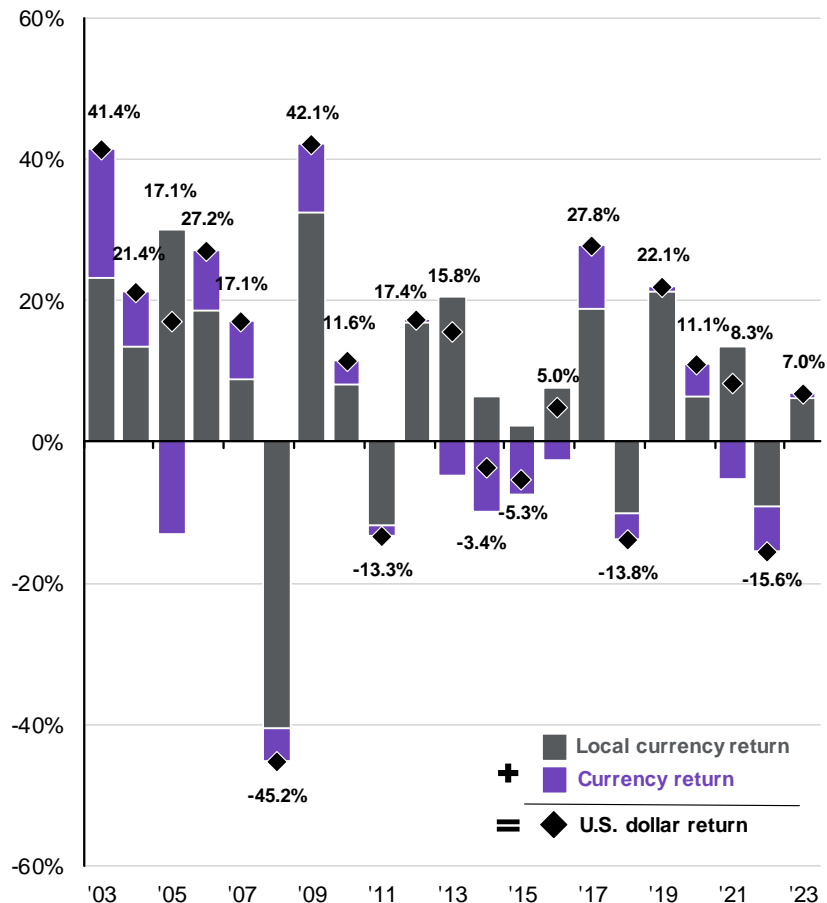
## U.S. dollar and relative international equity returns

Real broad effective exchange rate, MSCI World ex-U.S. vs. S&P 500\*



## Currency impact on international returns

MSCI All Country World ex-U.S. Index, total return



Source: J.P. Morgan Asset Management; (Left) J.P. Morgan Global Economic Research, MSCI; (Right) MSCI.

\*U.S. dollar is the J.P. Morgan Global Economic Research real broad effective exchange rate (CPI) indexed to 100 in 1974. Relative international equity returns are cumulative, total returns in U.S. dollars and are calculated as MSCI World ex-U.S. minus S&P 500 for each period of U.S. dollar peak/trough. \*\*Data since Oct. 2022 represents the relative outperformance to the latest month end. Past performance is not a reliable indicator of current and future results. *Guide to the Markets* – U.S. Data are as of March 31, 2023.



# Cycles of U.S. equity outperformance

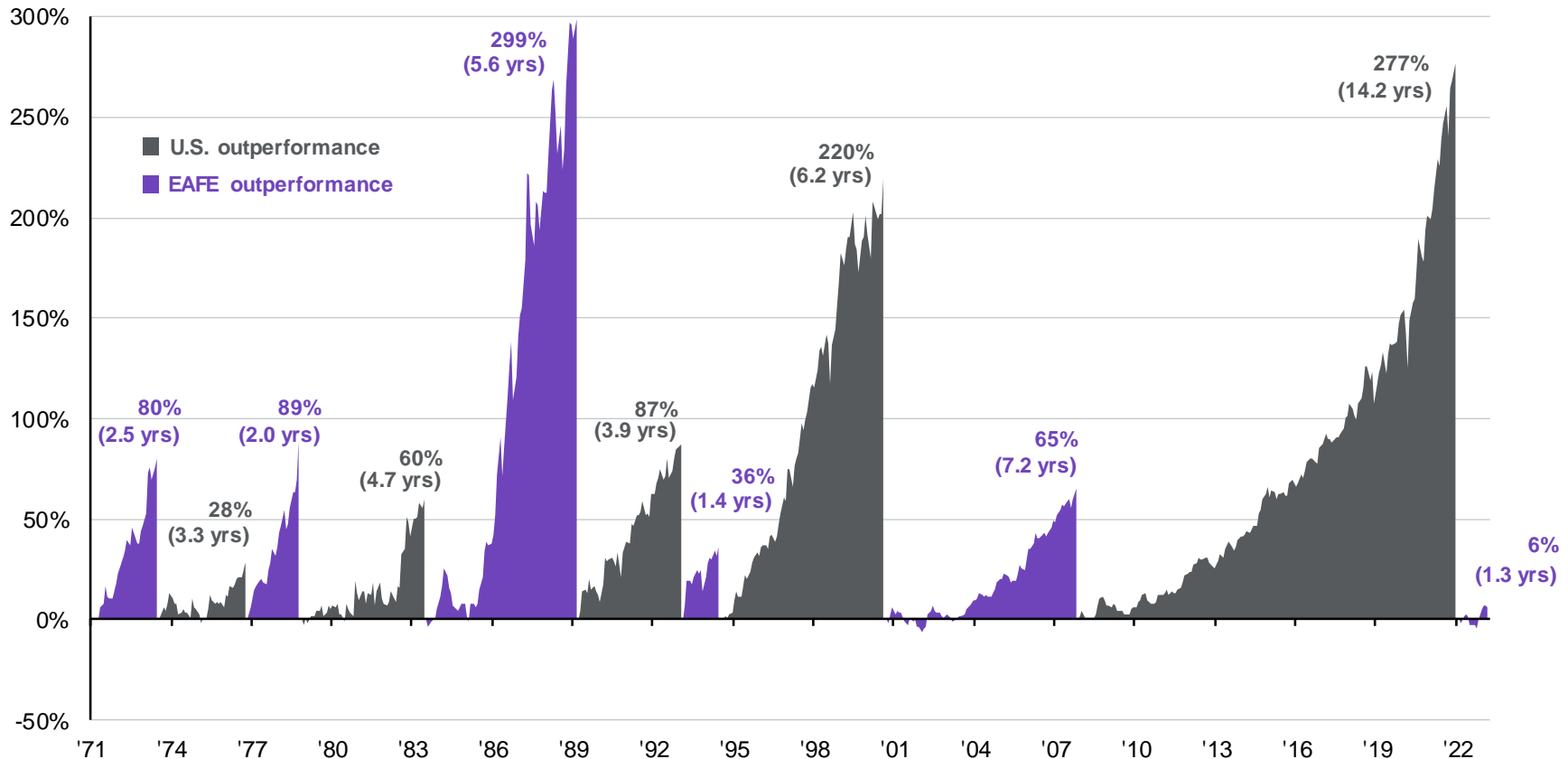
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## MSCI EAFE and MSCI USA relative performance

U.S. dollar, total return, cumulative outperformance



Source: FactSet, MSCI, J.P. Morgan Asset Management.

Regime change determined when cumulative outperformance peaks and is not reached again in the subsequent 12-month period.

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# International valuations and dividend yields

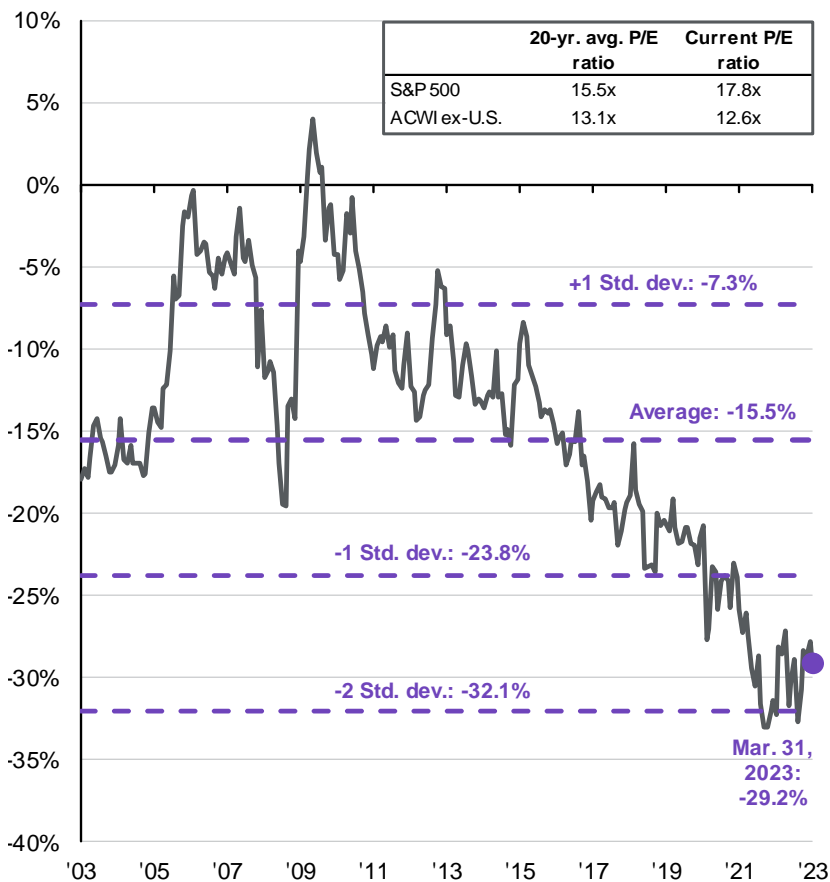
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## International: Price-to-earnings discount vs. U.S.

MSCI All Country World ex-U.S. vs. S&P 500, next 12 months



## International: Difference in dividend yields vs. U.S.

MSCI All Country World ex-U.S. minus S&P 500, next 12 months



Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management.  
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# International equity earnings and valuations

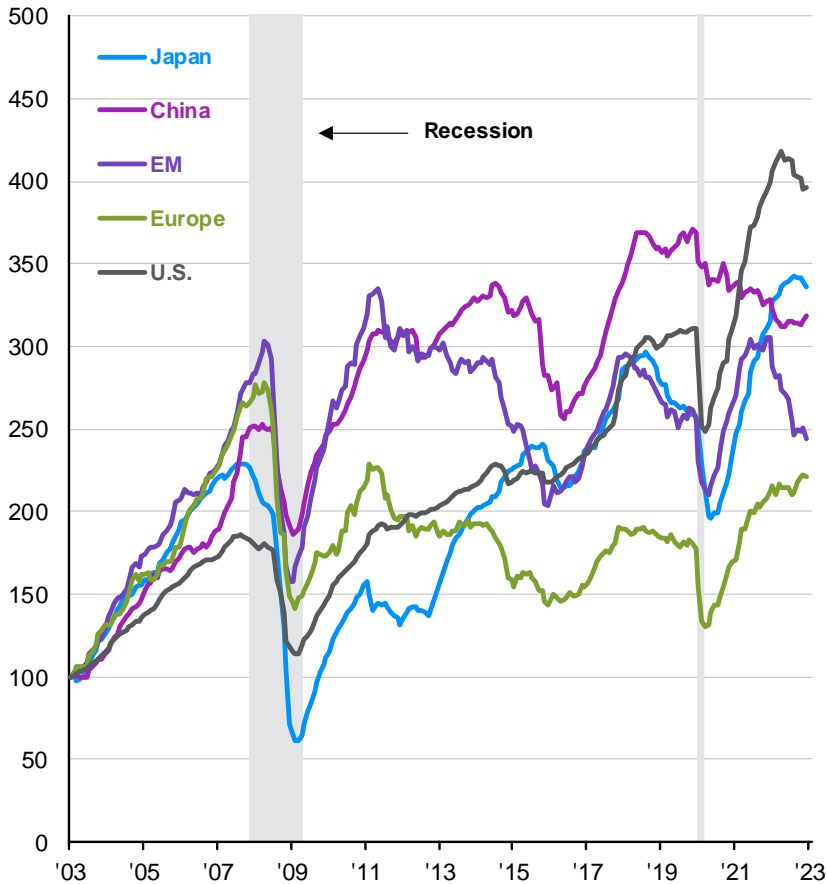
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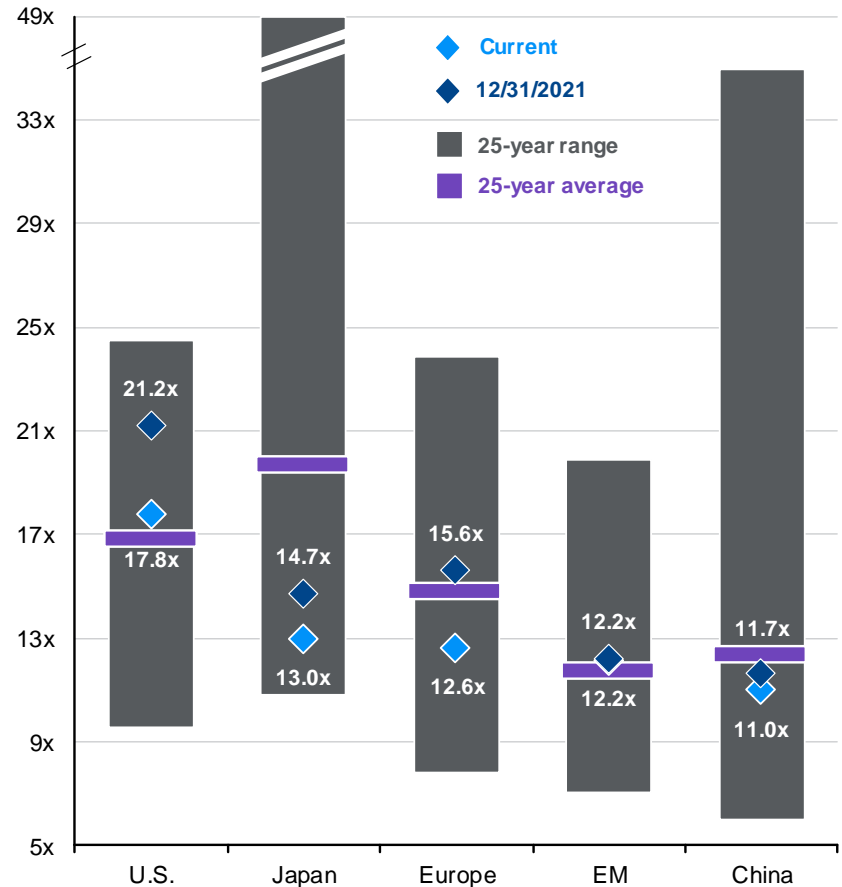
## Global earnings estimates

Mar. 2003 = 100, next 12 months consensus estimates, U.S. dollars



## Global valuations

Current and 25-year next 12 months price-to-earnings ratio



Source: FactSet, MSCI, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management.  
Next 12 months consensus estimates are based on pro-forma earnings and are in U.S. dollars. MSCI Europe includes the eurozone as well as countries not in the currency bloc, such as Norway, Sweden, Switzerland and the UK (which collectively make up 44% of the overall index). Past performance is not a reliable indicator of current and future results.  
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# International markets: Value vs. Growth

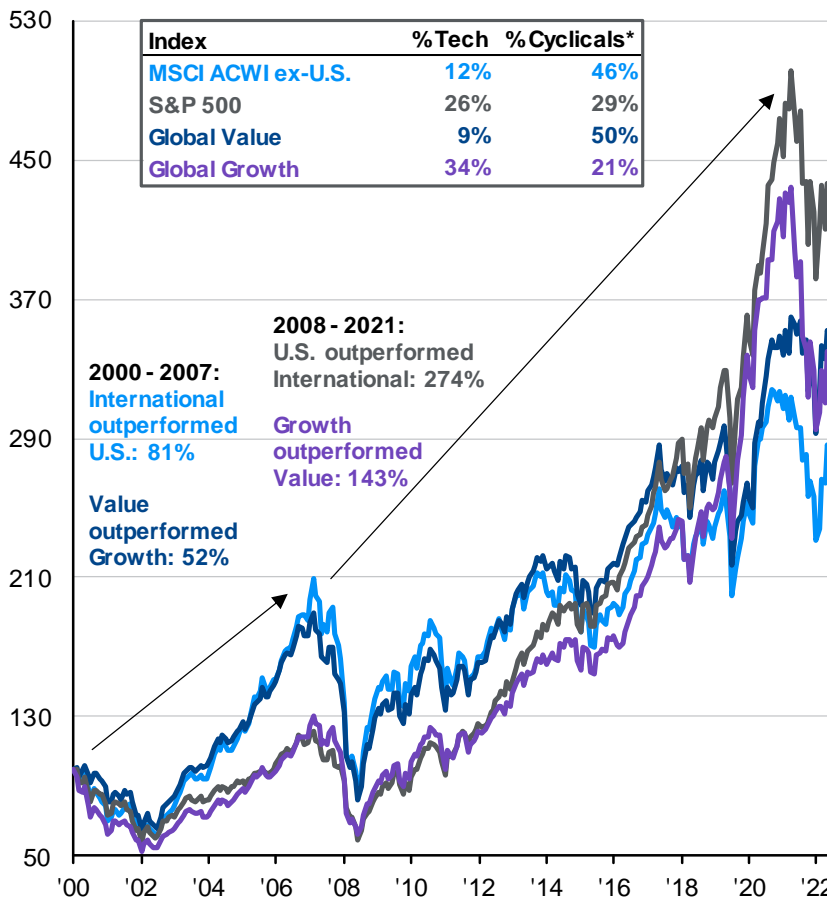
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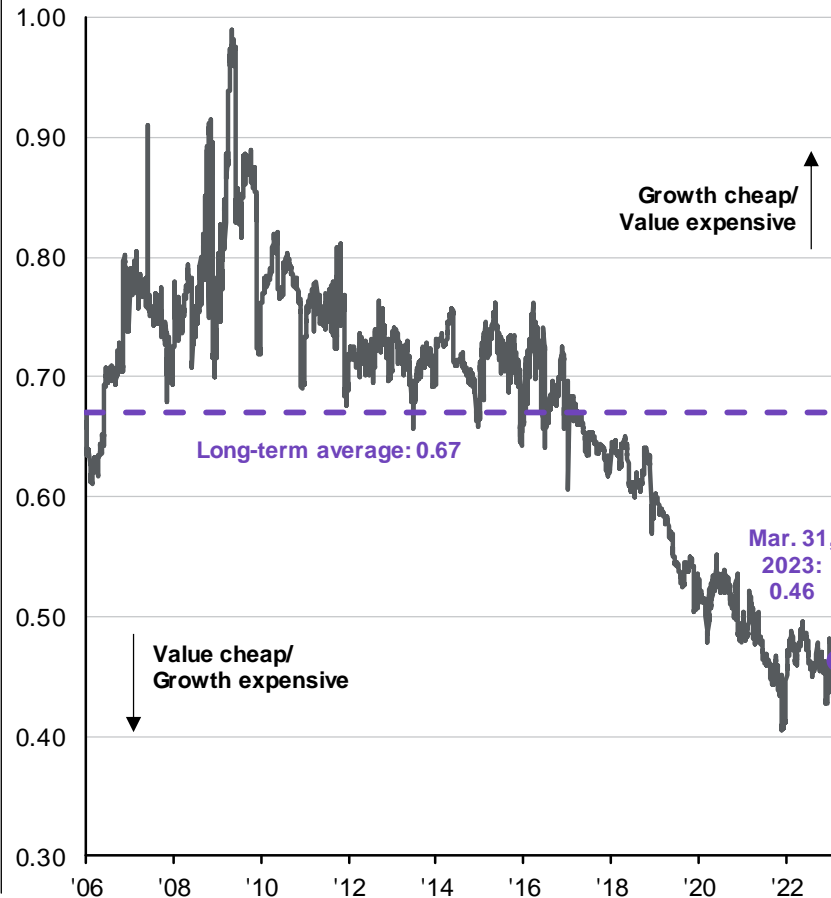
## Regional and style leadership

Sep. 2000 = 100, total return, U.S. dollars



## International Value vs. Growth relative valuations

Rel. fwd. P/E ratio of International Value vs. Growth



Source: Bloomberg, FactSet, MSCI, J.P. Morgan Asset Management.

\*"Cyclicals" are defined as Energy, Financials, Industrials and Materials. Global Growth and Global Value are represented by the corresponding MSCI AC World indices. International Growth is represented by the MSCI ACWI ex-U.S. Growth Index and International Value is represented by the MSCI ACWI ex-U.S. Value Index.

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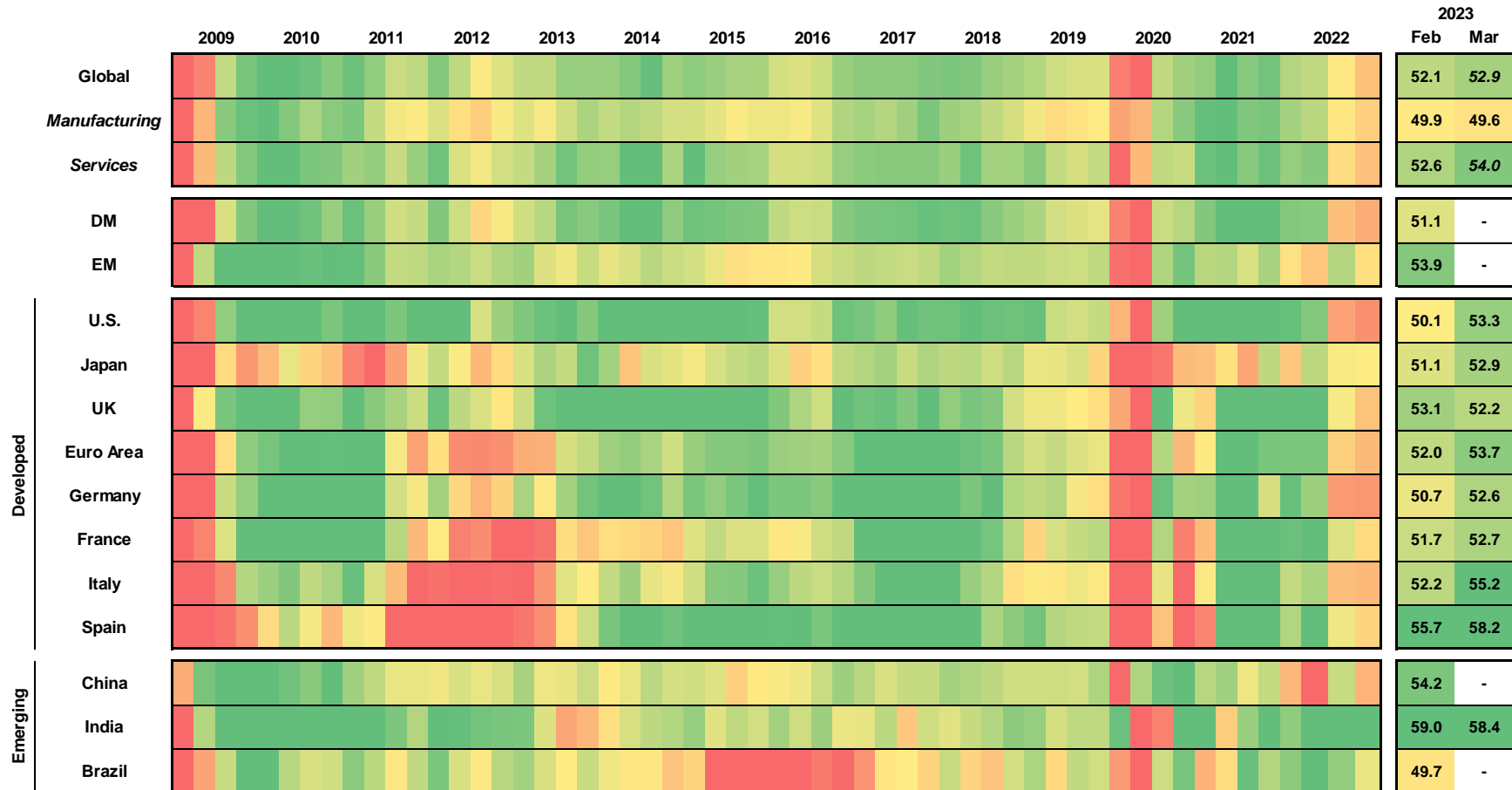
# Global economic activity momentum

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## Global Composite (manufacturing & services combined) Purchasing Managers' Index, quarterly



Source: Standard & Poor's, J.P. Morgan Asset Management.

The Composite PMI includes both manufacturing and services sub-indices. March composite figures for global and services are J.P. Morgan Asset Management estimates from flash PMIs. Heatmap colors are based on PMI relative to the 50 level, which indicates acceleration or deceleration of the sector, for the time period shown. Heatmap is based on quarterly averages, except for the two most recent figures, which are single month readings. Data for the U.S. are back-tested and filled in for 2009. DM and EM represent developed markets and emerging markets, respectively.

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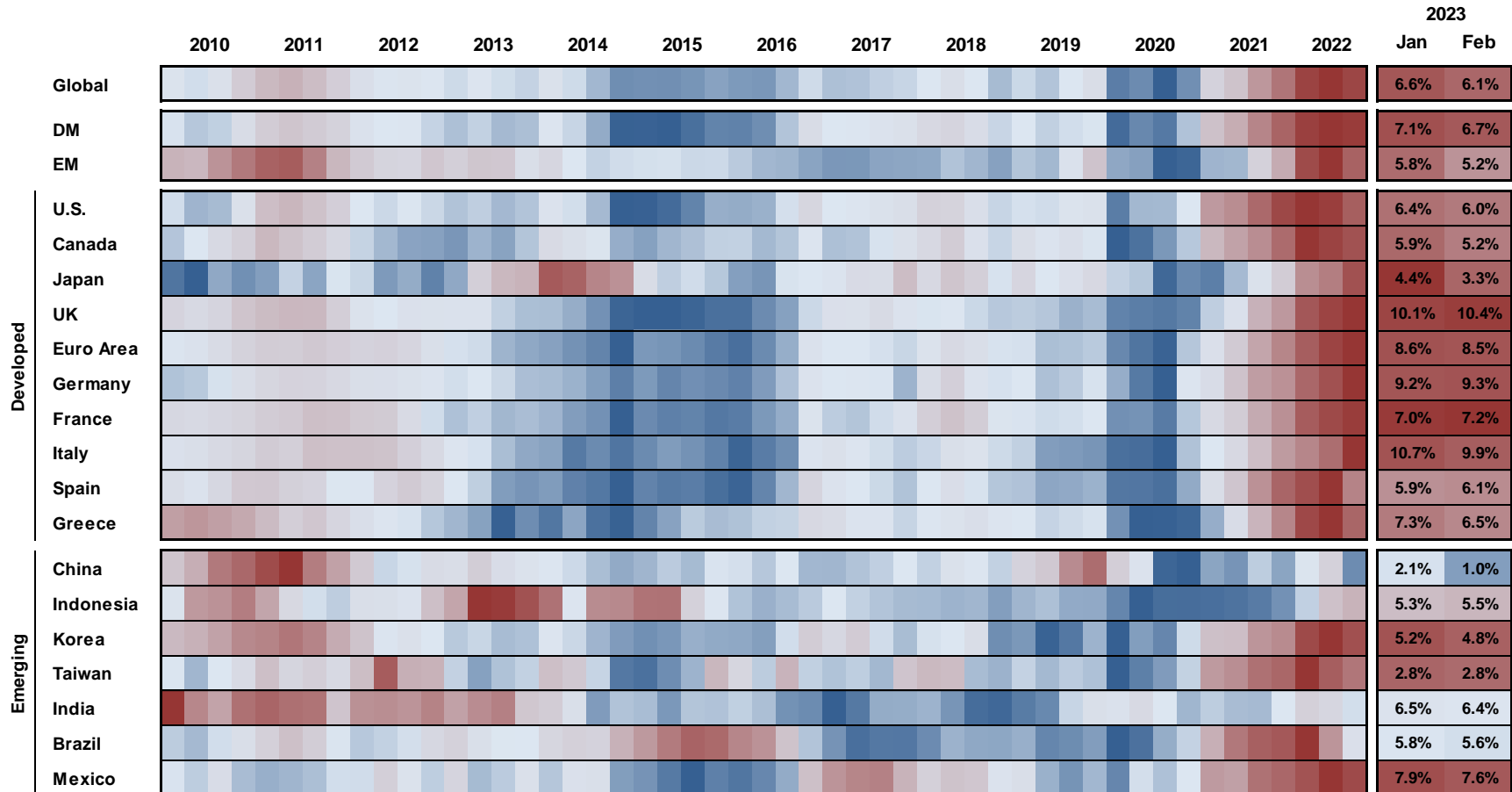
# Global inflation

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## Year-over-year headline inflation by country and region, quarterly



Source: Bank of Mexico, DGBAS, Eurostat, FactSet, Federal Reserve, IBGE, India Ministry of Statistics & Programme Implementation, Japan Ministry of Internal Affairs & Communications, Korean National Statistical Office, Melbourne Institute, National Bureau of Statistics China, Statistics Canada, Statistics Indonesia, UK Office for National Statistics (ONS), J.P. Morgan Asset Management. Heatmap is based on quarterly averages, with the exception of the two most recent figures, which are single month readings. Colors determined by percentiles of inflation values over the time period shown. Deep blue = lowest value, light blue = median, deep red = highest value. DM and EM represent developed markets and emerging markets, respectively.

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# The emergence of the EM middle class

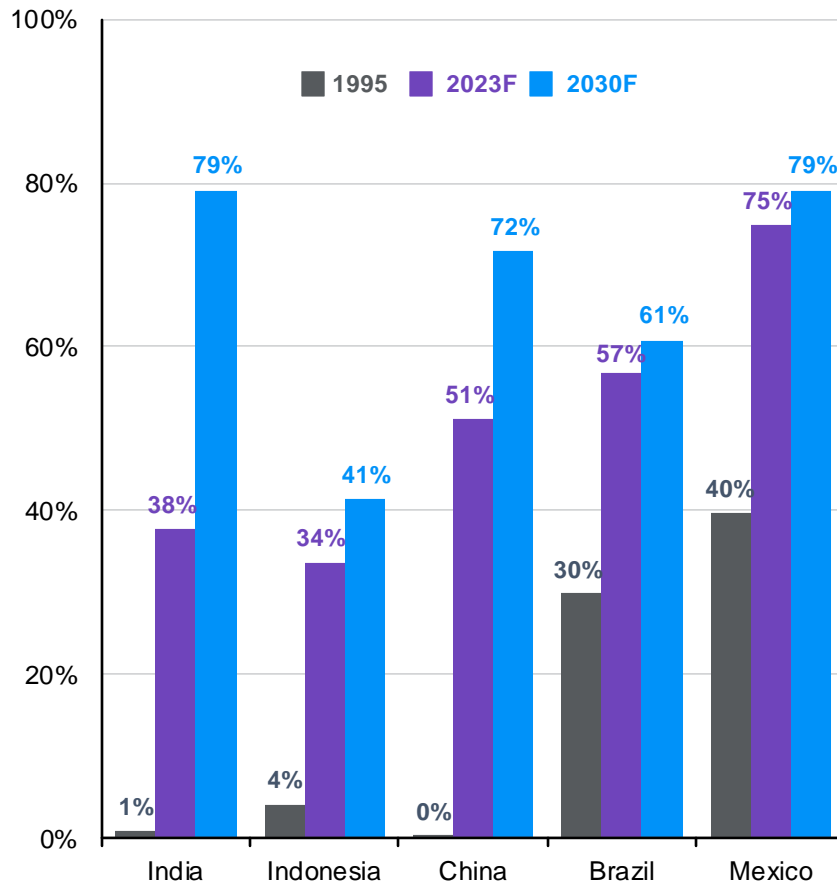
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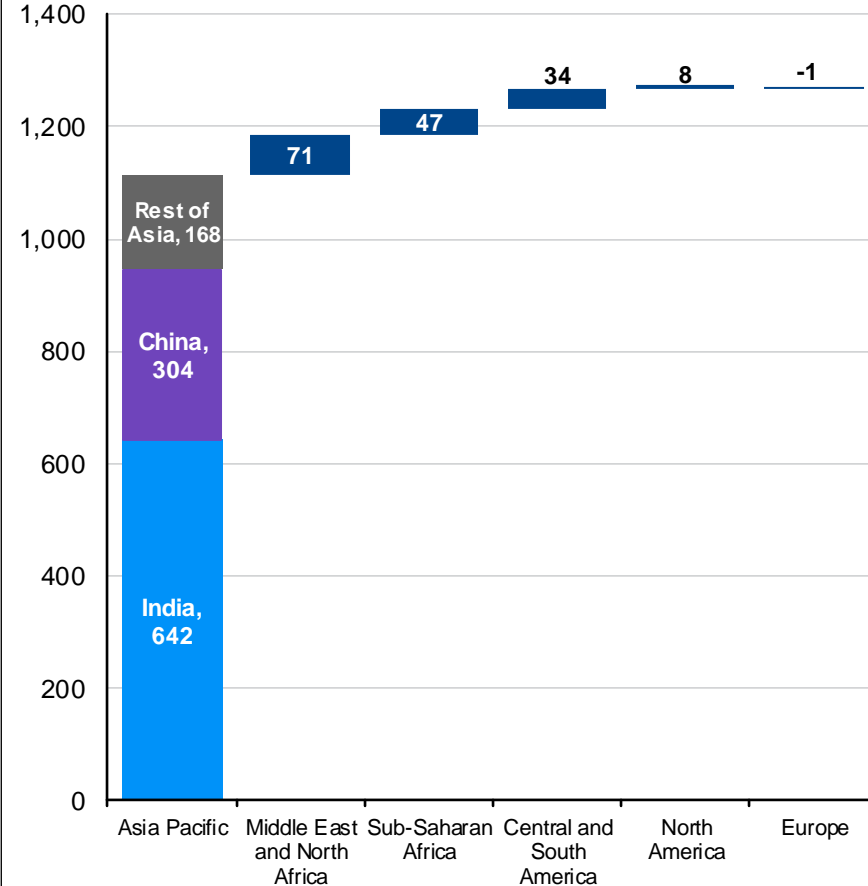
## Growth of the middle class

Percent of total population



## Regional contribution to middle class growth: 2023 to 2030

Millions of people



Source: Brookings Institution, J.P. Morgan Asset Management. Estimates for regional contribution are from Kharas, Homi. The Unprecedented Expansion of the Global Middle Class, An Update. Brookings Institution, 2017. Middle class is defined as households with per capita incomes between USD 11 and USD 110 per person per day in 2011 PPP terms. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated. *Guide to the Markets* – U.S. Data are as of March 31, 2023.



# China: Economic growth

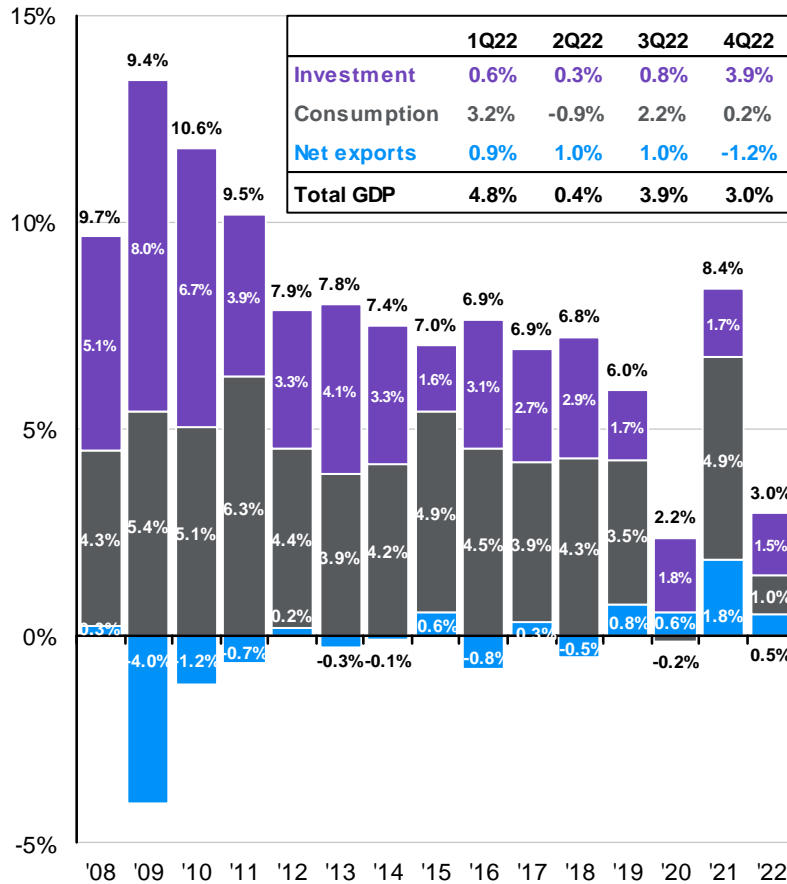
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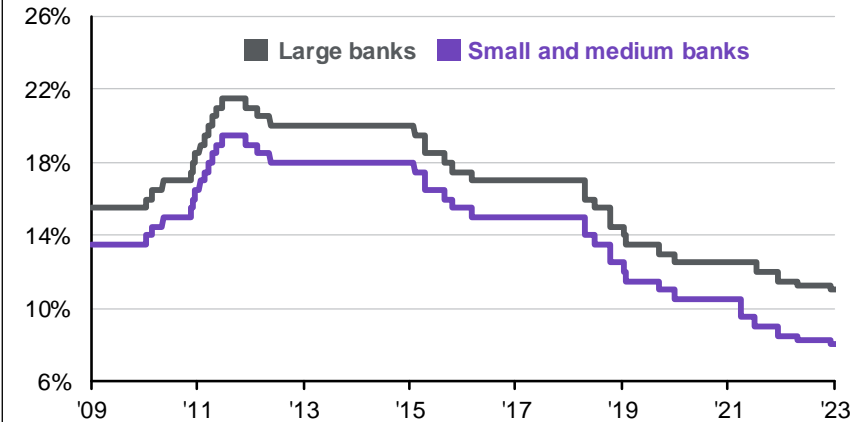
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## China real GDP contribution

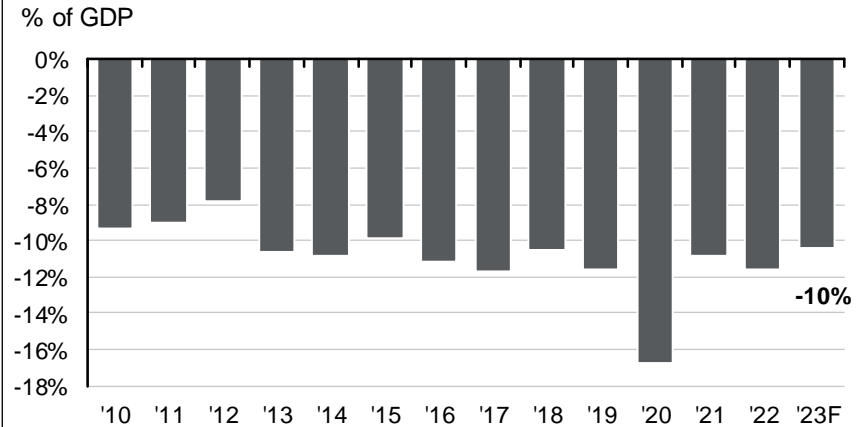
Year-over-year % change for GDP, contribution to GDP for components



## Monetary stimulus: Reserve requirement ratio



## Fiscal stimulus: Fiscal deficit\*



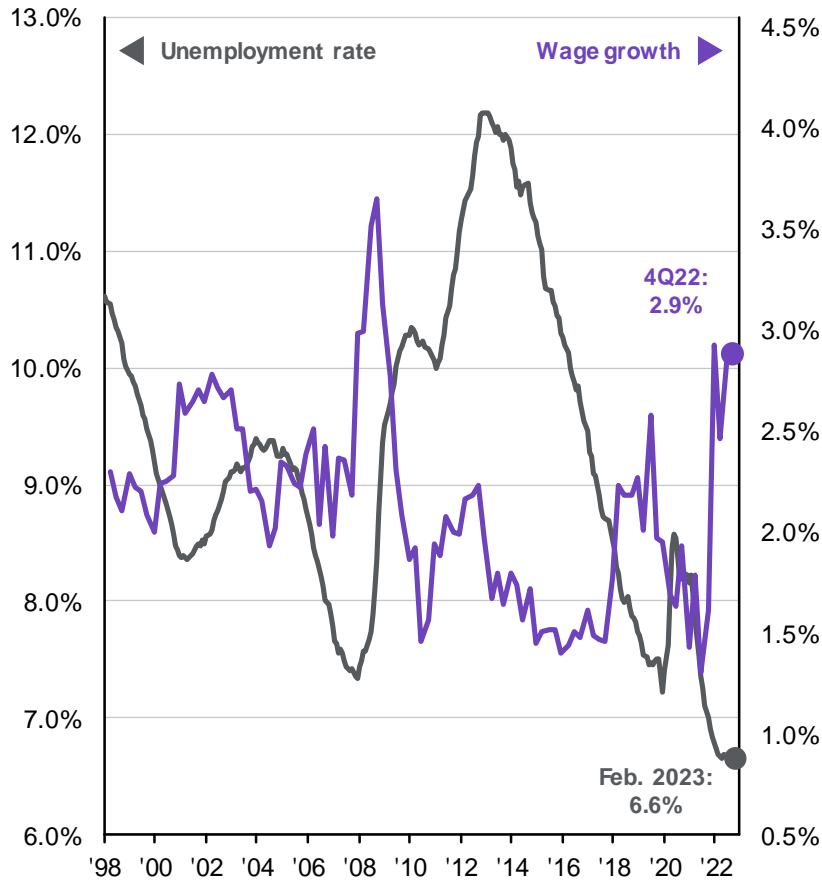
Source: FactSet, J.P. Morgan Asset Management; (Left) CEIC; (Top right) People's Bank of China; (Bottom right) China Agriculture Development Bank, China Development Bank, Ministry of Finance, People's Bank of China, Wind. \*The fiscal deficit is a J.P. Morgan Global Economic Research estimate of the augmented fiscal deficit. It measures the aggregate resources controlled by the government and used to support economic growth. It consists of the official budgetary deficit of the central and local governments, and additional funding raised and spent by local governments through Local Government Financing Vehicles and various government-guided funds, whose activities are considered quasi-fiscal. Large banks are six major banks in China, including Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, Bank of Communications, Postal Savings Bank of China. The other banks are categorized as small and medium-sized banks. PBoC sets favorable required reserve ratio (RRR) for banks that have met specific criteria, such as loans to small and medium-sized enterprises and agricultural sectors. These measures have significantly brought down the actual RRR for banks. According to the PBoC, when the latest RRR cut took effect on 12/5/2022, the realized weighted average RRR was 7.8% (4/25/2022: 8.1%). Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.



# Eurozone economy

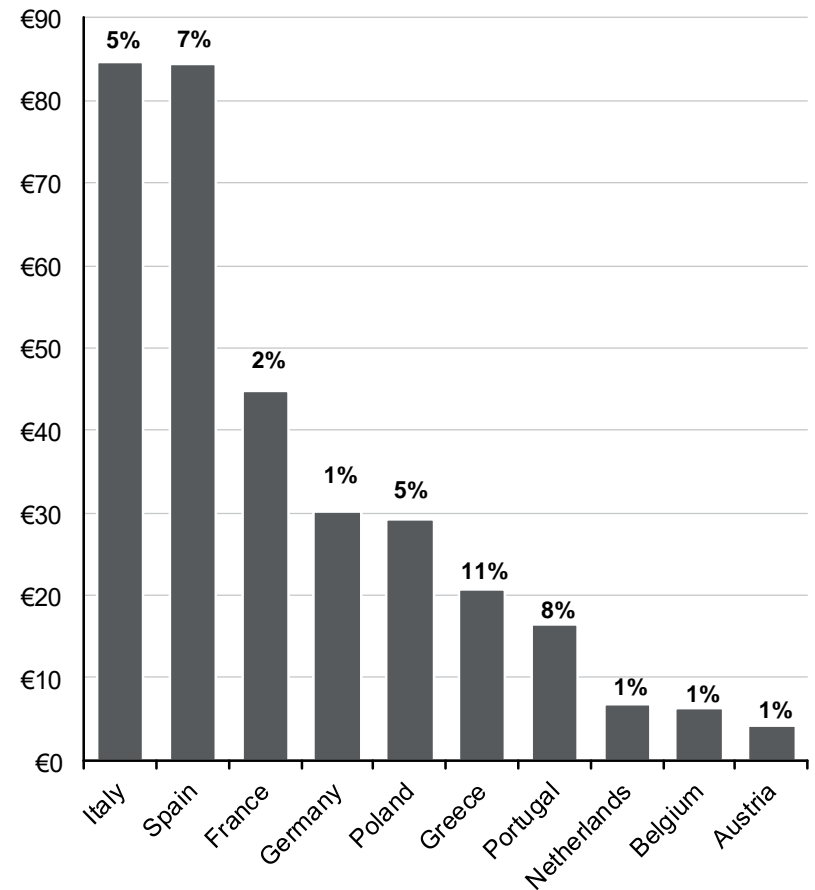
## Eurozone unemployment rate and wage growth

%, year-over-year



## EU recovery fund grants to select EU countries

EUR billions, % of EU27 2021 nominal GDP



Source: FactSet, J.P. Morgan Asset Management; (Left) ECB. Wage growth is based on negotiated wages. (Right) European Commission.  
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# Correlations and volatility

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	U.S. Large Cap	EAFE	EME	Bonds	Corp. HY	Munis	Currency.	EMD	Cmdty.	REITs	Hedge funds	Private equity	Gold	Ann. Volatility
U.S. Large Cap	1.00	0.88	0.78	0.26	0.87	0.36	-0.42	0.70	0.41	0.77	0.85	0.80	0.10	0.15
EAFE		1.00	0.89	0.28	0.85	0.43	-0.61	0.76	0.44	0.62	0.81	0.83	0.23	0.15
EME			1.00	0.31	0.82	0.44	-0.69	0.80	0.48	0.53	0.75	0.77	0.40	0.18
Bonds				1.00	0.38	0.85	-0.35	0.67	-0.22	0.41	-0.02	0.13	0.58	0.04
Corp. HY					1.00	0.46	-0.48	0.86	0.49	0.69	0.79	0.74	0.28	0.08
Munis						1.00	-0.39	0.76	-0.15	0.54	0.12	0.27	0.51	0.04
Currencies							1.00	-0.59	-0.41	-0.21	-0.29	-0.59	-0.56	0.06
EMD								1.00	0.26	0.62	0.54	0.60	0.51	0.08
Commodities									1.00	0.33	0.62	0.58	0.27	0.17
REITs										1.00	0.61	0.61	0.18	0.16
Hedge funds											1.00	0.80	0.01	0.05
Private equity												1.00	0.10	0.08
Gold													1.00	0.15

Source: Bloomberg, Burgiss, Credit Suisse/Tremont, FactSet, Federal Reserve, MSCI, Standard & Poor's, J.P. Morgan Asset Management.  
 Indices used – Large Cap: S&P 500 Index; Currencies: Federal Reserve Trade-Weighted Dollar; EAFE: MSCI EAFE; EME: MSCI Emerging Markets; Bonds: Bloomberg Aggregate; Corp HY: Bloomberg Corporate High Yield; EMD: Bloomberg Emerging Market; Cmdty.: Bloomberg Commodity Index; REITs: NAREIT All Equity Index; Hedge funds: CS/Tremont Hedge Fund Index; Private equity: Time weighted returns from Burgiss; Gold: Gold continuous contract (\$/oz). Private equity data are reported on a one- to two-quarter lag. All correlation coefficients and annualized volatility are calculated based on quarterly total return data for period from 3/31/2013 to 3/31/2023, except for Private equity, which is based on the period from 9/30/2012 to 9/30/2022. This chart is for illustrative purposes only.  
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# Equity market correlations and yields

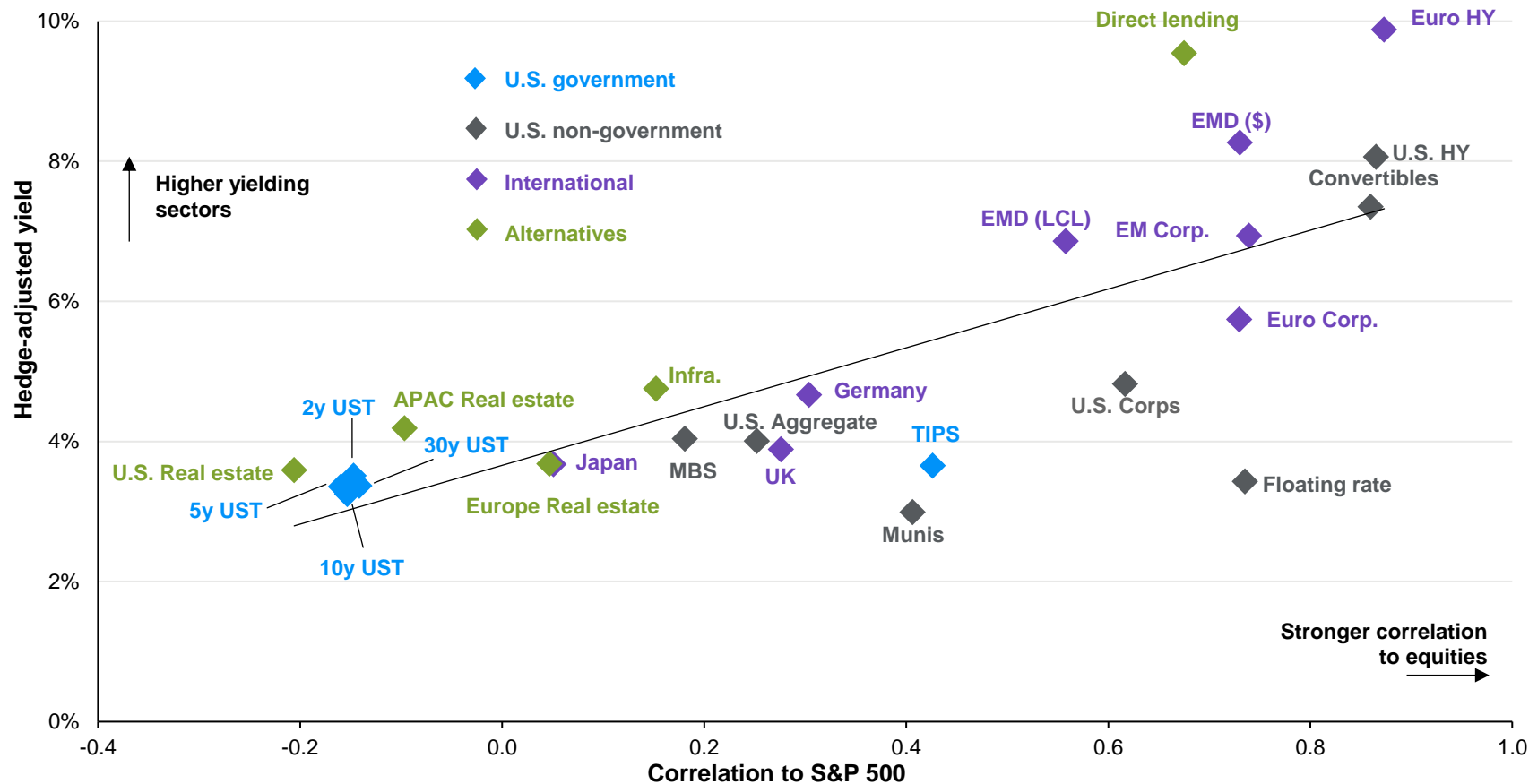
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## Equity market correlations and yields

Hedge-adjusted yield, last 12 months, 10-year correlations, quarterly



Source: Bloomberg, NCREIF, MSCI, FactSet, ICE, J.P. Morgan Asset Management. Fixed income shown above are represented by Bloomberg indices except for EMD. MBS: U.S. Aggregate Securitized - MBS; U.S. corps: U.S. Corporates; Munis: Municipal Bond; U.S. HY: Corporate High Yield; TIPS: Treasury Inflation-Protected Securities (TIPS); Floating Rate: U.S. Floating Rate; Convertibles: U.S. Convertibles Composite; ABS: J.P. Morgan ABS Index; EMD (\$): J.P. Morgan EMBIG Diversified Index; EMD (LCL): J.P. Morgan GBI EM Global Diversified Index; EM Corp: J.P. Morgan CEMBI Broad Diversified Index; Euro Corp.: Euro Aggregate Corporate Index; Euro HY: Pan-European High Yield Index; U.S. Real Estate: NCREIF Property Index - ODCE; Europe Real Estate: Market weighted-avg. of MSCI Global Property Fund Indices - U.K. & Cont. Europe; APAC Real Estate: MSCI Global Property Index - Asia-Pacific; Global infra: MSCI Global Quarterly Infrastructure Asset Index (equal weighted blend); U.S. Direct Lending: Cliffwater Direct Lending Index. Convertibles yield is based on the U.S. portion of the Bloomberg Global Convertibles. Country yields are represented by the global aggregate for each country. Yield and return information based on bellwethers for Treasury securities. U.S. Real Estate yield is calculated using the MSCI Global Property Fund Index - North America. Alternative correlations are based on quarterly returns over the past 10 years through 9/30/2022, except U.S. Real estate, which is through 12/31/2022. Stock and bond correlations are based on quarterly returns over the past 10 years through 12/31/2022. All non-alternative yields are as of 2/28/2023. Alternative yields are as of 9/30/2022. This slide comes from our [Guide to Alternatives](#). [Guide to the Markets](#) - U.S. Data are as of March 31, 2023.



# Portfolio diversification

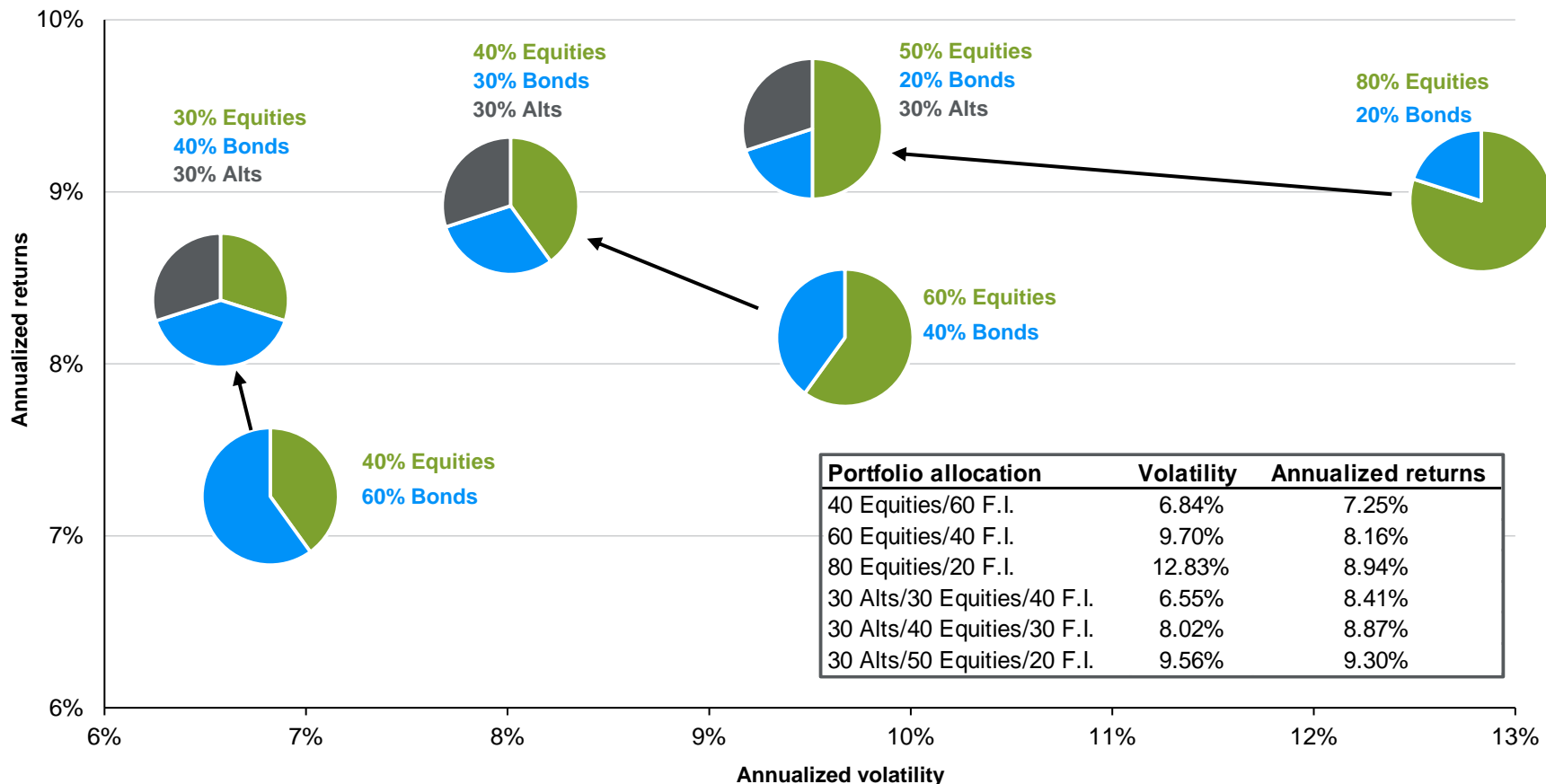
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## Alternatives and portfolio risk/return

Annualized volatility and returns, 1989 – 3Q22



Alternatives

Source: Bloomberg, Burgiss, FactSet, HRFI, NCREIF, Standard & Poor's, J.P. Morgan Asset Management. Alts include hedge funds, real estate and private equity, with each receiving an equal weight. Portfolios are rebalanced at the start of the year. This slide comes from our [Guide to Alternatives](#).

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# Global commodities

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## Bloomberg Commodity Index

Since index inception, total returns



## Commodity prices

Bloomberg Commodity Index constituents

Bloomberg Commodity Index			
Constituents	Current price level	Change since 12/31/2021	Change since 6/9/2022*
<b>Sub-indices</b>			
<b>Energy</b>	<b>\$33.13</b>	<b>7.3%</b>	<b>-46.6%</b>
WTI crude oil	\$74.37	-1.3%	-38.8%
Natural gas	\$0.09	-42.2%	-76.6%
Brent crude	\$456.66	30.2%	-24.7%
Low sulphur gas oil	\$270.93	55.8%	-29.0%
RBOB gasoline	\$476.67	47.0%	-22.1%
ULS diesel	\$4.13	14.2%	-25.5%
<b>Grains</b>	<b>\$46.92</b>	<b>11.5%</b>	<b>-16.6%</b>
Corn	\$13.34	17.6%	-10.0%
Soybeans	\$70.83	9.7%	-26.2%
Soybean meal	\$941.59	31.2%	21.5%
Wheat	\$34.23	-16.0%	-37.9%
Soybean oil	\$83.05	10.6%	-25.6%
HRW w heat	\$120.10	-0.9%	-28.2%
<b>Industrial metals</b>	<b>\$159.99</b>	<b>-7.5%</b>	<b>-13.1%</b>
Copper	\$365.91	-9.3%	-7.3%
Aluminum	\$33.07	-17.0%	-15.0%
Zinc	\$95.59	-13.4%	-19.1%
Nickel	\$222.99	13.0%	-16.9%
<b>Precious metals</b>	<b>\$570.88</b>	<b>7.5%</b>	<b>8.0%</b>
Gold	\$209.19	3.9%	3.3%
Silver	\$211.96	0.1%	7.7%
<b>Softs</b>	<b>\$49.02</b>	<b>2.1%</b>	<b>-8.0%</b>
Sugar	\$122.71	30.7%	24.5%
Coffee	\$10.74	-22.0%	-24.7%
Cotton	\$30.06	-9.9%	-32.4%
<b>Livestock</b>	<b>\$22.33</b>	<b>-0.4%</b>	<b>0.9%</b>
Live cattle	\$59.93	6.4%	9.9%
Lean hogs	\$3.48	-12.0%	-14.9%

Source: Bloomberg, FactSet, J.P. Morgan Asset Management. All the Bloomberg subsectors and constituents are represented by the respective Bloomberg subindex except ULS Diesel, which is represented by the EIA composite for U.S. ULS diesel prices. \*The Bloomberg Commodity Index peaked on June 9, 2022.

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# U.S. real estate dynamics

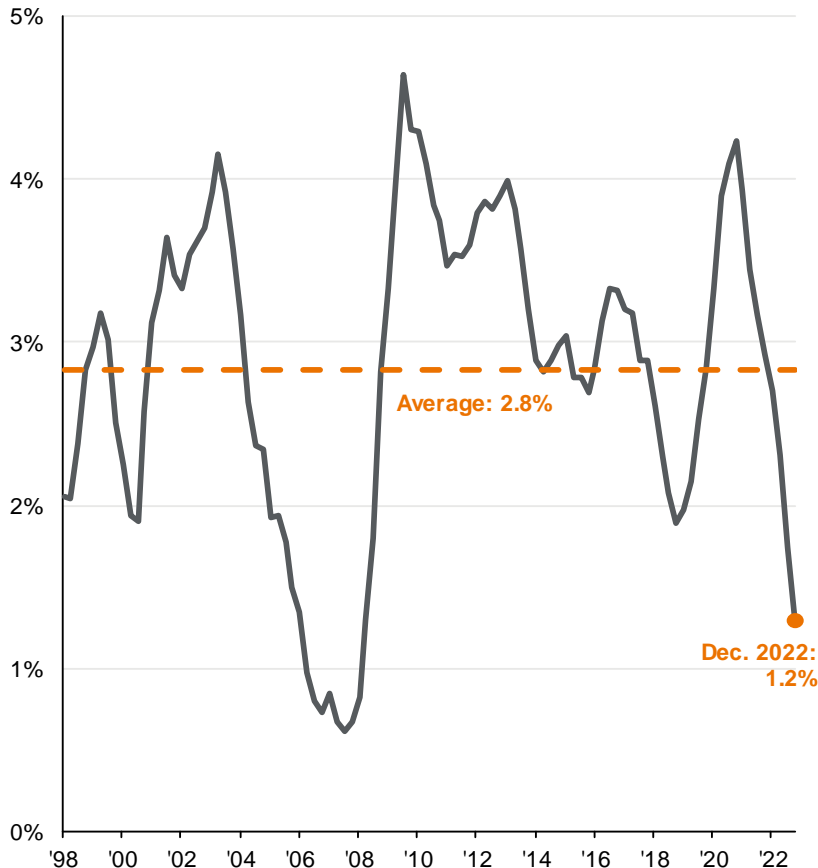
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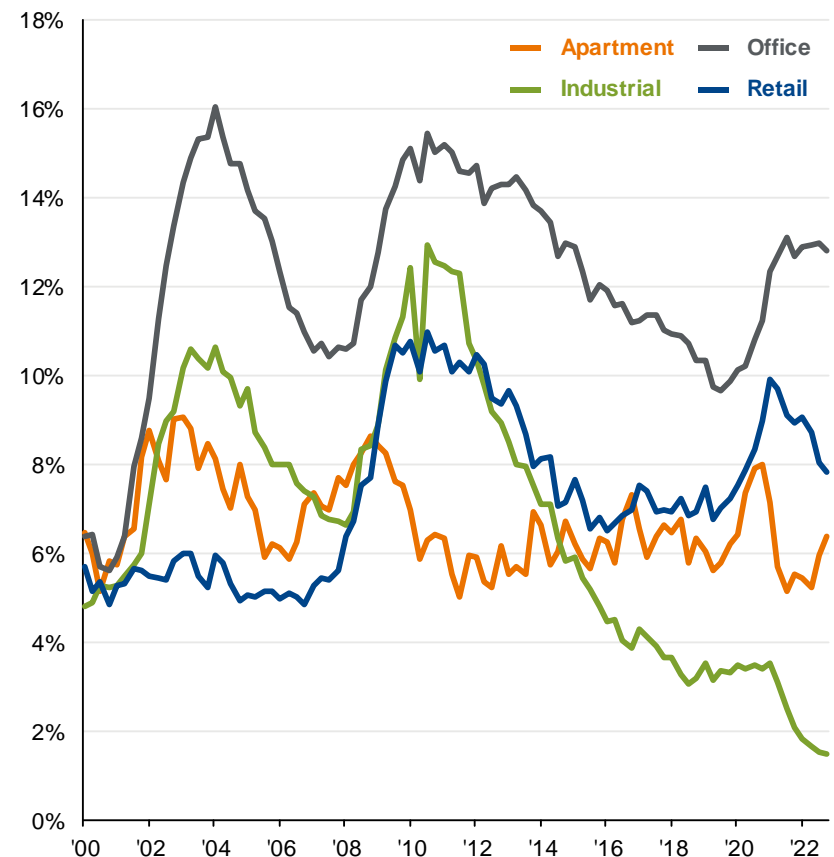
## U.S. real estate cap rate spreads

Transaction based, spread to 10y UST, 4-quarter rolling average



## U.S. vacancy rates by property type

Percent



Source: NAREIT, NCREIF, Statista, J.P. Morgan Asset Management.

The cap rate, which is computed as the net operating income over sales price, is the rate of return on a real estate investment property. Vacancy rate data is as of 12/31/2022. This slide comes from our [Guide to Alternatives](#).  
*Guide to the Markets – U.S.* Data are as of March 31, 2023.

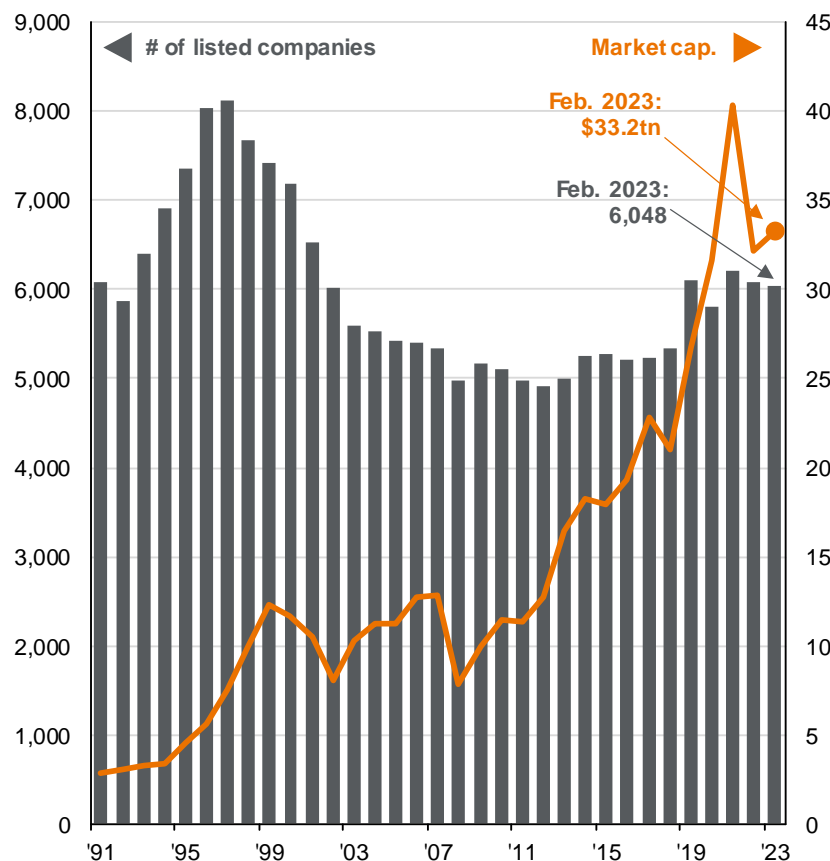


# U.S. public vs. private equity

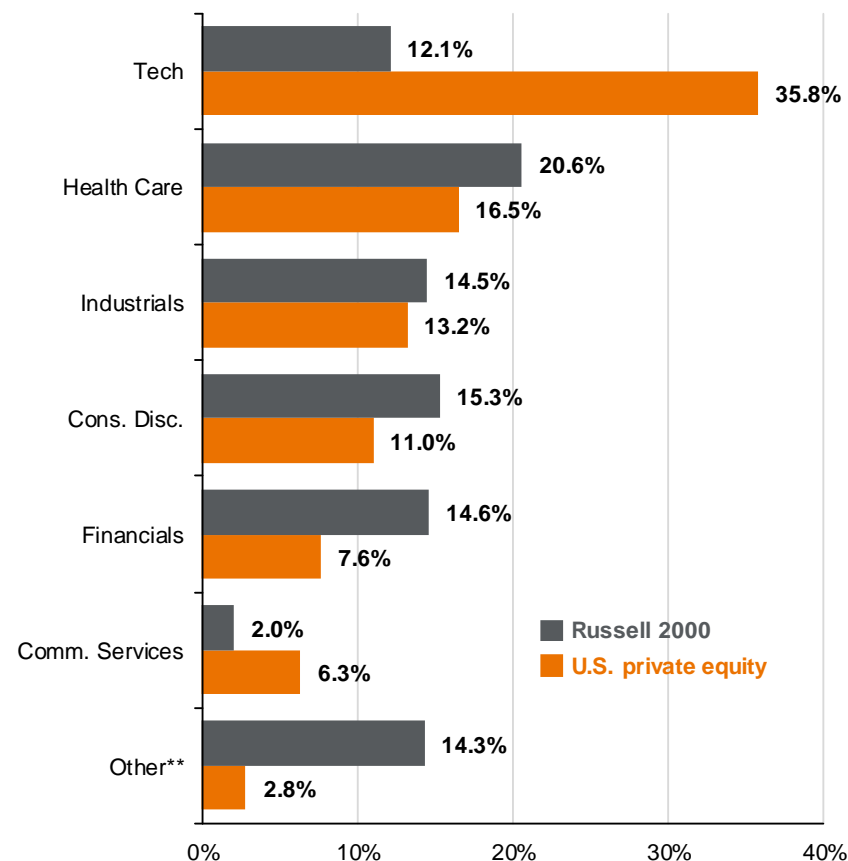
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## Number of listed U.S. companies\* and market cap.

Number, S&P 500 market capitalization in USD trillions



## Private vs. public equity sector weights



Sources: Cambridge Associates, Russell, World Federation of Exchanges, J.P. Morgan Asset Management.

\*Number of listed U.S. companies is represented by the sum of number of companies listed on the NYSE and the NASDAQ. \*\*Other includes real estate, utilities and energy. Percentages may not sum due to rounding. Sector weights are as of 6/30/2021. This slide comes from our [Guide to Alternatives](#).

Guide to the Markets – U.S. Data are as of March 31, 2023.



# Market volatility and hedge funds

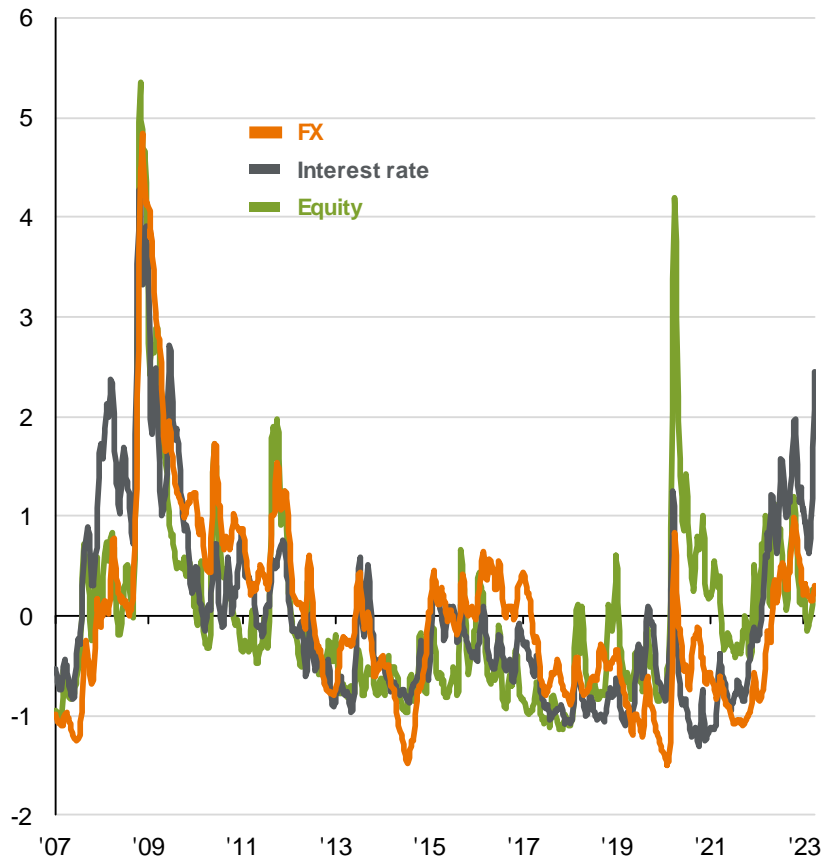
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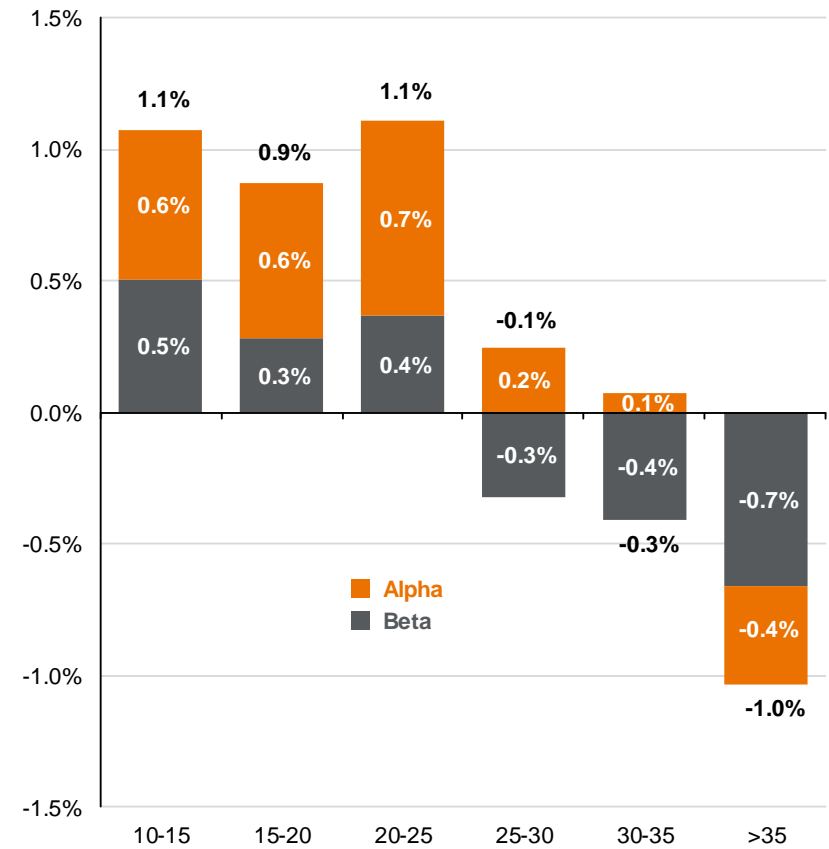
## Equity, interest rate and foreign exchange volatility

Z-score, 4-week moving average, 2007 - present



## Hedge funds and volatility

Average monthly hedge fund returns by VIX level, 1990 - present



Source: CBOE, FactSet, HFRI, ICE BofA, J.P. Morgan Index Research, MSCI, J.P. Morgan Asset Management. (Left) Equity volatility is represented by the VIX Index, interest rate volatility is represented by the MOVE Index and foreign exchange volatility is represented by the J.P. Morgan Global FX Volatility Index. (Right) Historical beta is based on regression analysis, where the HFRI is the dependent variable and the MSCI AC World Index is the independent variable. Monthly VIX reading is an average. Numbers may not sum to 100% due to rounding. This slide comes from our [Guide to Alternatives](#).

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# Asset class returns

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																2008 - 2022	
2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	YTD	Ann.	Vol.
Fixed Income 5.2%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	Cash 1.8%	Large Cap 31.5%	Small Cap 20.0%	REITs 41.3%	Comdty. 16.1%	DM Equity 8.6%	Large Cap 8.8%	RBTs 23.4%
Cash 1.8%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Fixed Income 0.0%	REITs 28.7%	EM Equity 18.7%	Large Cap 28.7%	Cash 1.5%	Large Cap 7.5%	Small Cap 7.2%	Small Cap 23.2%
Asset Alloc. -25.4%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	REITs -4.0%	Small Cap 25.5%	Large Cap 18.4%	Comdty. 27.1%	High Yield -12.7%	Asset Alloc. 4.3%	RBTs 6.6%	EM Equity 23.0%
High Yield -26.9%	REITs 28.0%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	High Yield -4.1%	DM Equity 22.7%	Asset Alloc. 10.6%	Small Cap 14.8%	Fixed Income -13.0%	EM Equity 4.0%	Asset Alloc. 6.1%	Comdty. 20.2%
Small Cap -33.8%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	Large Cap -4.4%	Asset Alloc. 19.5%	DM Equity 8.3%	Asset Alloc. 13.5%	Asset Alloc. -13.9%	High Yield 3.1%	High Yield 5.4%	DM Equity 20.0%
Comdty. -35.6%	Large Cap 26.5%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	Asset Alloc. -5.8%	EM Equity 18.9%	Fixed Income 7.5%	DM Equity 11.8%	DM Equity -14.0%	Fixed Income 3.0%	Fixed Income 2.7%	Large Cap 17.7%
Large Cap -37.0%	Asset Alloc. 25.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Small Cap -11.0%	High Yield 12.6%	High Yield 7.0%	High Yield 1.0%	Large Cap -18.1%	Small Cap 2.7%	DM Equity 2.3%	High Yield 13.0%
REITs -37.7%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Comdty. -11.2%	Fixed Income 8.7%	Cash 0.5%	Cash 0.0%	EM Equity -19.7%	REITs 1.7%	EM Equity 1.0%	Asset Alloc. 12.4%
DM Equity -43.1%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	DM Equity -13.4%	Comdty. 7.7%	Comdty. -3.1%	Fixed Income -1.5%	Small Cap -20.4%	Cash 1.1%	Cash 0.6%	Fixed Income 4.2%
EM Equity -53.2%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	EM Equity -14.2%	Cash 2.2%	REITs -5.1%	EM Equity -2.2%	REITs -24.9%	Comdty. -8.0%	Comdty. -2.6%	Cash 0.4%

Source: Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.

Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Bloomberg Global HY Index, Fixed Income: Bloomberg US Aggregate, REITs: NAREIT Equity REIT Index, Cash: Bloomberg 1-3m Treasury. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg US Aggregate, 5% in the Bloomberg 1-3m Treasury, 5% in the Bloomberg Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period from 12/31/2007 to 12/31/2022. Please see disclosure page at end for index definitions. All data represents total return for stated period. The "Asset Allocation" portfolio is for illustrative purposes only. Past performance is not indicative of future returns.

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# Valuations monitor

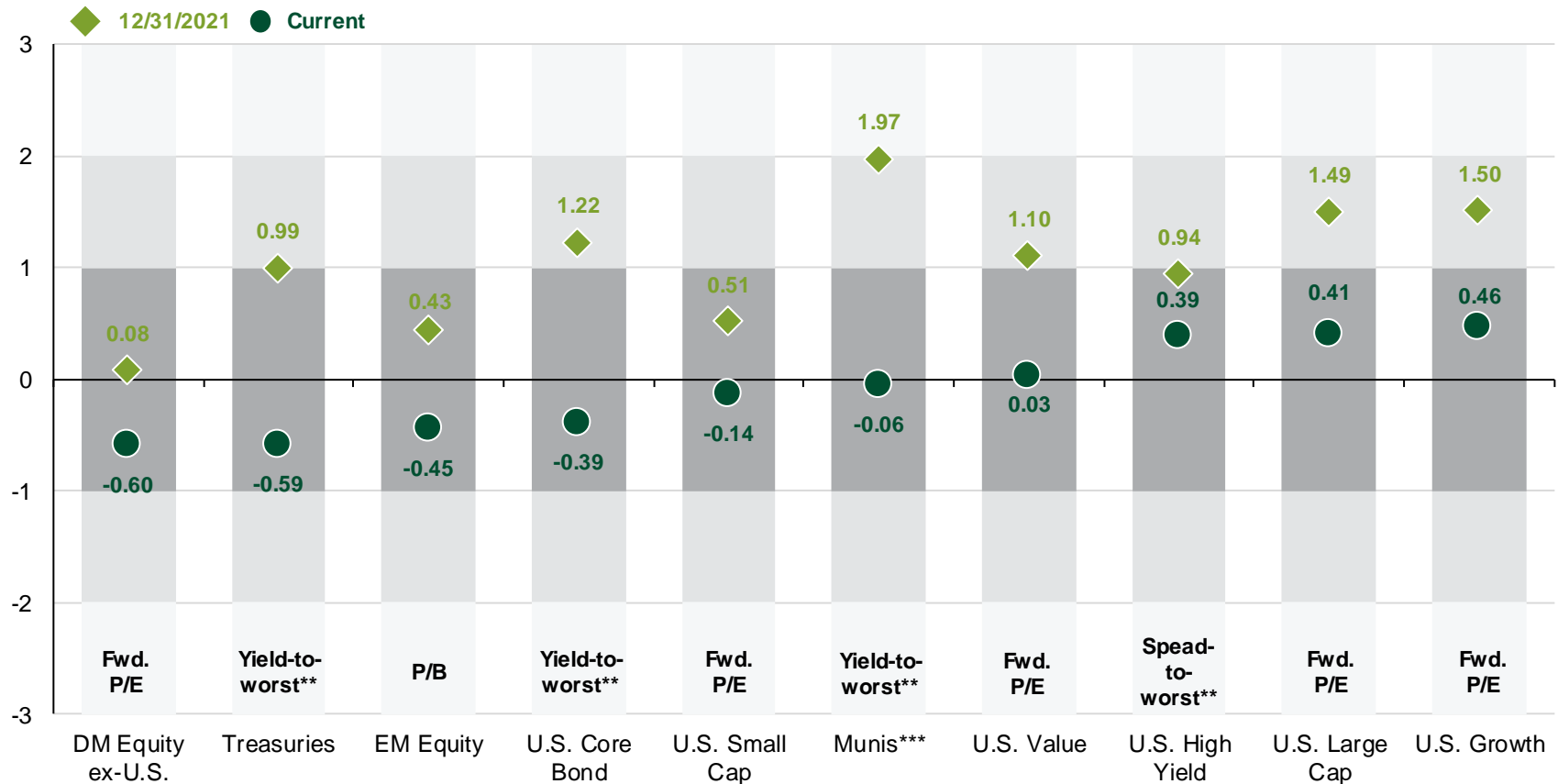
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## Asset class valuations

Z-scores based on 25-year average valuation measures\*



Source: Bloomberg, BLS, CME, FactSet, MSCI, Russell, Standard & Poor's, J.P. Morgan Asset Management.  
 U.S. Large Cap: S&P 500, U.S. Small Cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, U.S. Value: Russell 1000 Value, U.S. Growth: Russell 1000 Growth, U.S. High Yield: J.P. Morgan Domestic High Yield Index, U.S. Core Bond: Bloomberg US Aggregate, Treasuries: Bloomberg U.S. Aggregate Government – Treasury, Munis: Bloomberg Municipal Bond. \*Averages for U.S. High Yield and U.S. Small Cap are since January 1999 and November 1998, respectively, due to limited data availability. \*\*Yield-to-worst and spread-to-worst are inversely related to fixed income prices. \*\*\*Munis yield-to-worst is based on the tax-equivalent yield-to-worst assuming a top-income tax bracket rate of 37% plus a Medicare tax rate of 3.8%.

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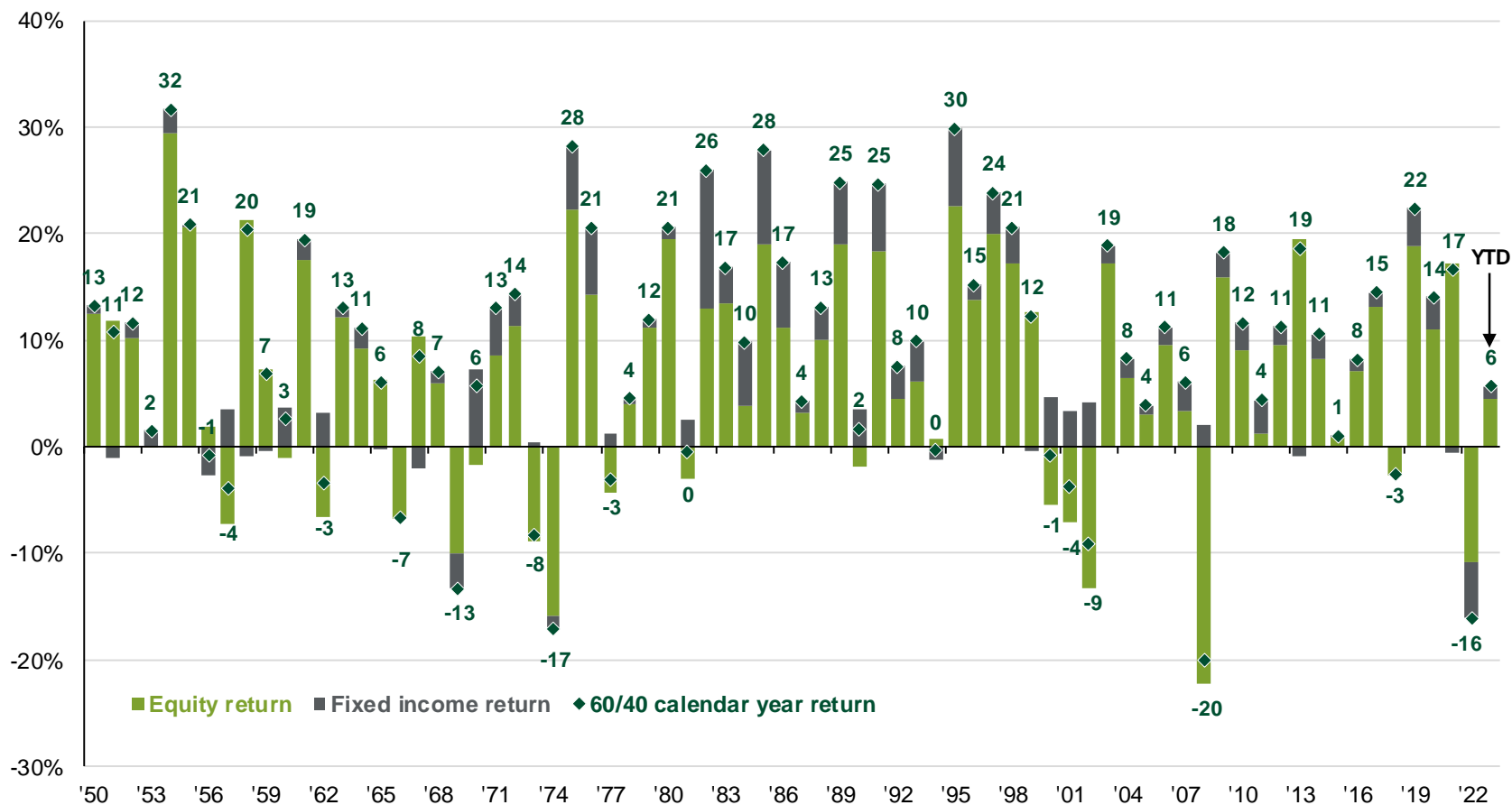


# 60/40 annual returns

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## 60/40 annual return decomposition

Total returns, 1950 – present



Source: Bloomberg, FactSet, Ibbotson/Strategas, Robert Shiller, Standard & Poor's, Yale University, J.P. Morgan Asset Management. The 60/40 portfolio is 60% invested in S&P 500 Total Return Index and 40% invested in Bloomberg U.S. Aggregate Total Return Index. S&P 500 returns from 1950 to 1970 are estimated using the Shiller S&P Composite. U.S. fixed income total returns from 1950 to 1975 are estimated using data from Strategas/Ibbotson. The portfolio is rebalanced annually. *Guide to the Markets* – U.S. Data are as of March 31, 2023.

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# Time, diversification and the volatility of returns

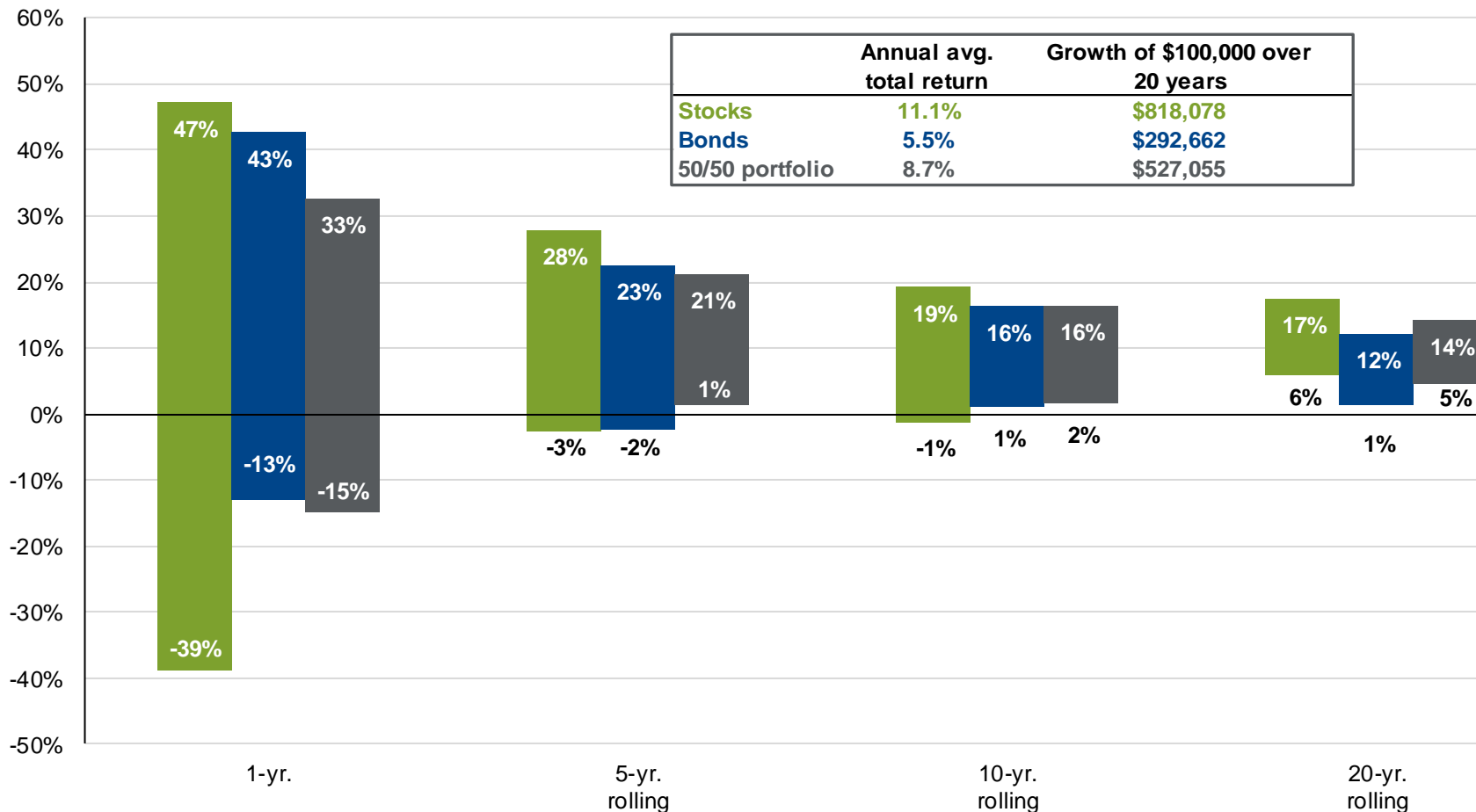
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## Range of stock, bond and blended total returns

Annual total returns, 1950-2022



Source: Bloomberg, FactSet, Federal Reserve, Robert Shiller, Strategas/Ibbotson, J.P. Morgan Asset Management.

Returns shown are based on calendar year returns from 1950 to 2021. Stocks represent the S&P 500 Shiller Composite and Bonds represent Strategas/Ibbotson for periods from 1950 to 2010 and Bloomberg Aggregate thereafter. Growth of \$100,000 is based on annual average total returns from 1950 to 2022.

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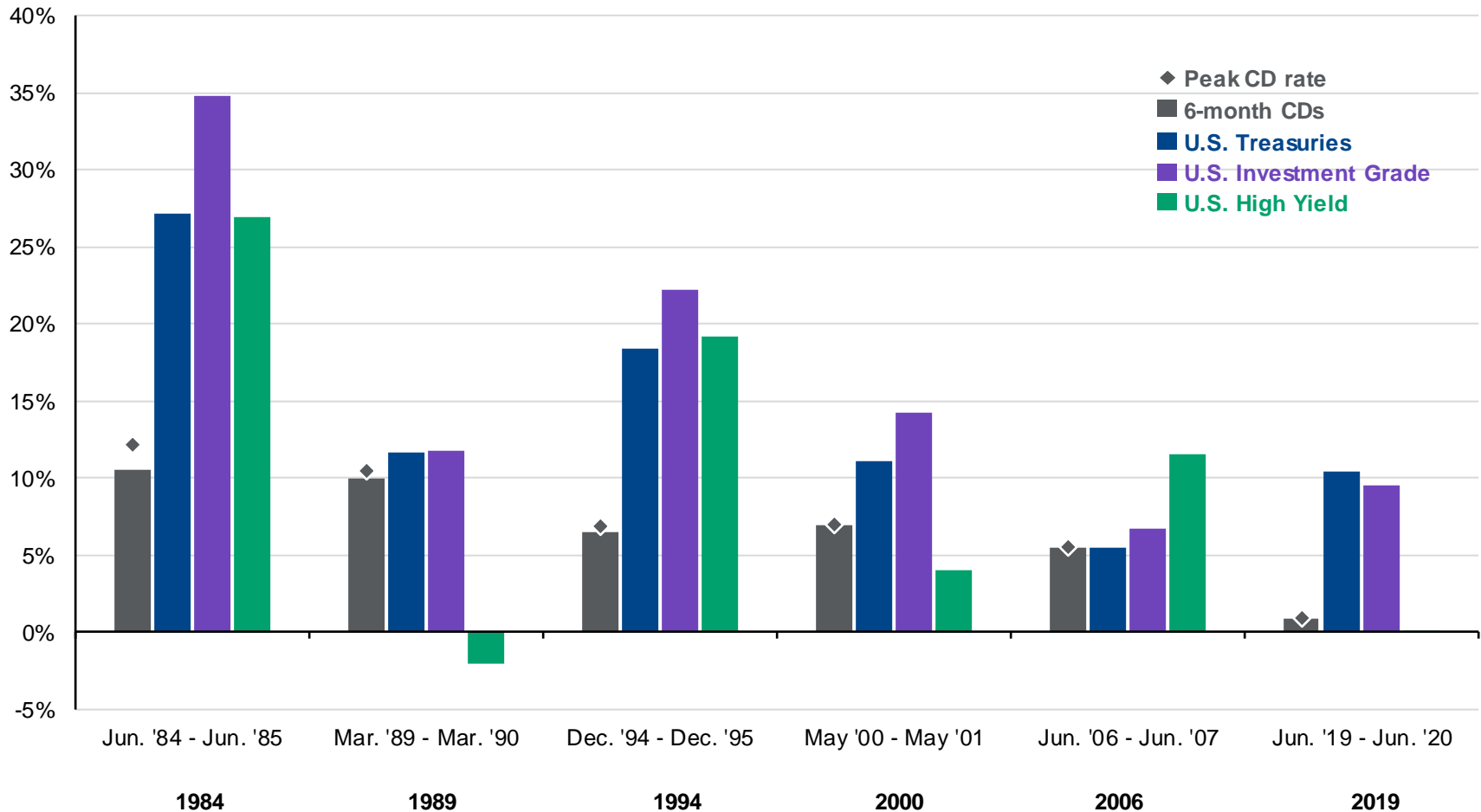


# CD rates and fixed income opportunities

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## Fixed income opportunities outside of CDs

Peak 6-month certificate of deposit (CD) rate during previous rate hiking cycles and subsequent 12-month total returns



Source: Bankrate, Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.

U.S. Treasuries: Bloomberg US Treasury Index, U.S. Investment Grade: Bloomberg US Corporate Bond Index, U.S. High Yield: Bloomberg US Corporate High Yield Bond Index. The analysis references the month in which the 6-month average CD rate peaked during previous rate hiking cycles. CD rate data prior to 2013 are sourced from the Federal Reserve whereas data from 2013 to 2023 are sourced from Bankrate. CD subsequent 12-month return calculation assumes reinvestment at the prevailing 6-month rate when the initial CD matures.

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# Individual investor asset allocation

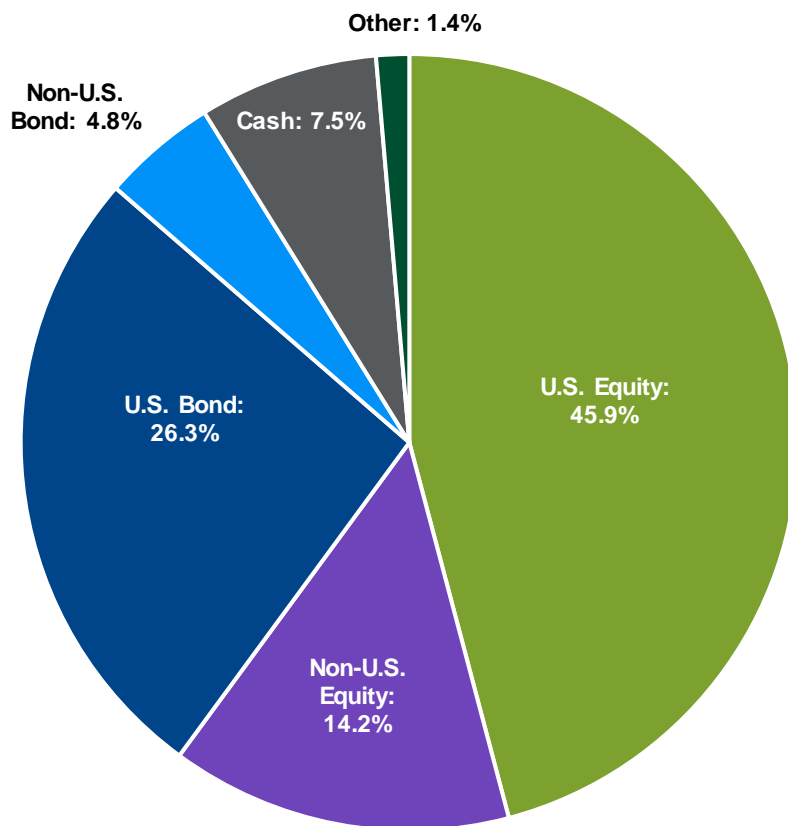
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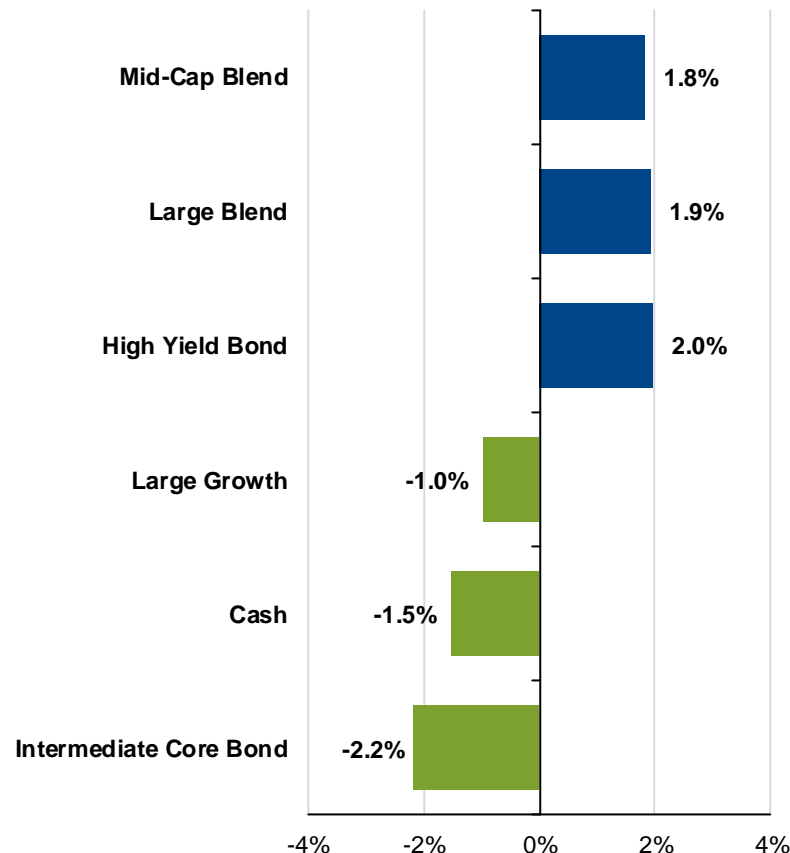
## Asset allocation: Current portfolio positioning

Average moderate (60/40) allocation as of March 2023



## Biggest portfolio shifts

Largest % allocation changes by Morningstar category, Mar. 2023\*\*



Source: J.P. Morgan Portfolio Insights, J.P. Morgan Asset Management. Data is aggregated from 5,501 portfolios analyzed through the Portfolio Insights tools over trailing 12 months. The current portfolio positioning chart represents the average overall asset allocation for all portfolios benchmarked relative to the JPMorgan 60/40 Benchmark. Other includes preferred stocks, warrants, options and other miscellaneous securities.

\*\*The biggest portfolio shifts show the largest average % changes in moderate portfolios within the most used Morningstar categories from December 2022 to March 2023. The most used Morningstar categories is defined as those that appear with the greatest frequency in portfolio analysis. All information is shown for illustrative purposes only.

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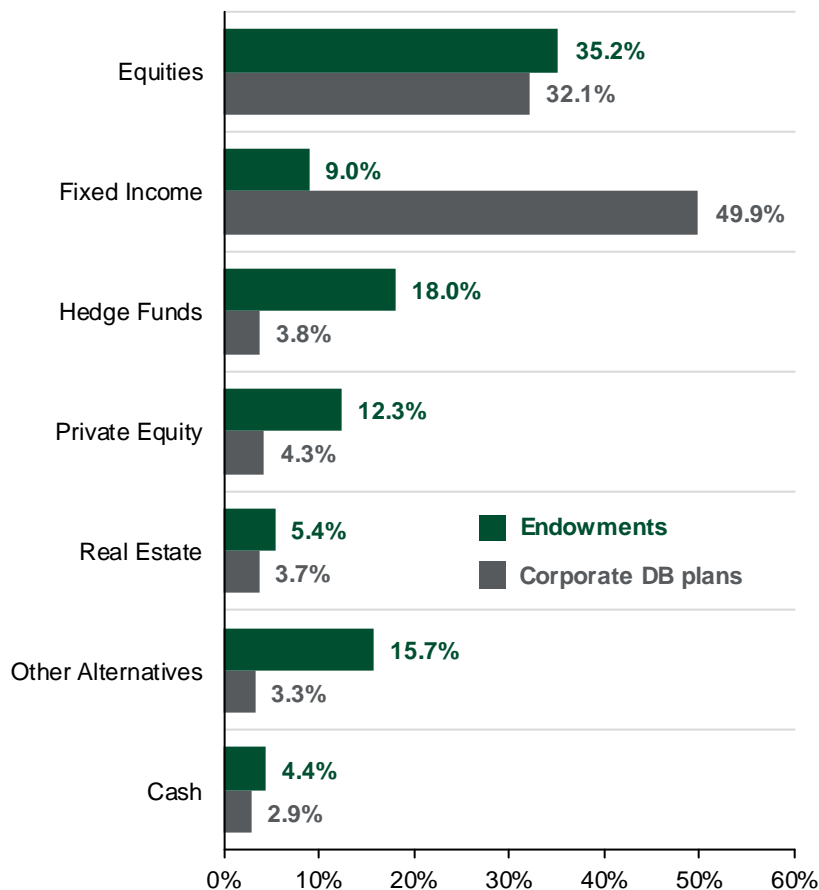
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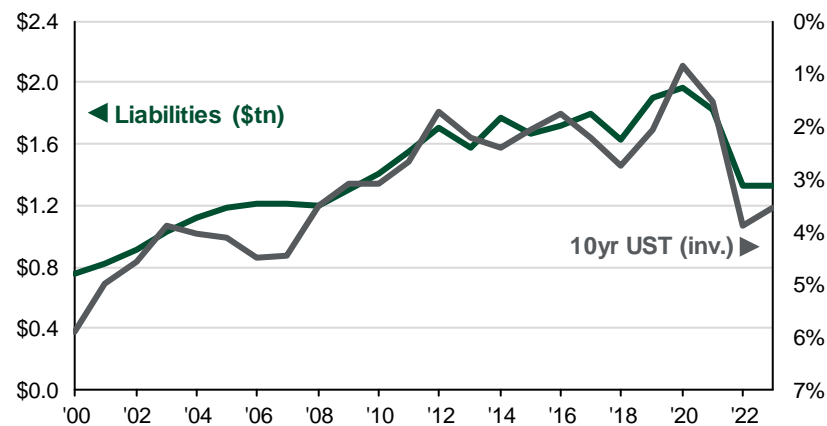
# Institutional investor behavior

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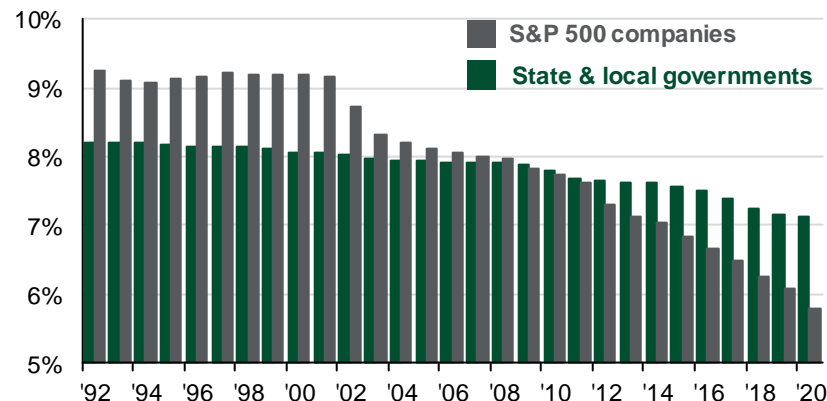
## Asset allocation: Corporate DB plans vs. endowments



## Corporate pension liabilities and 10-year UST yield



## Pension return assumptions



Source: J.P. Morgan Asset Management; (Left) NACUBO (National Association of College and University Business Officers), Towers Watson; (Top right) Milliman Pension Funding Index; (Bottom right) Census for Governments, Compustat, FactSet, S&P 500 corporate 10-Ks. Endowment asset allocation is as of 2019. Corporate DB plan asset allocation as of 2018. Endowments represents dollar-weighted average data of 749 colleges and universities. Corporate DB plans represents aggregate asset as of 12/31/2020 for Fortune 1000 pension plans. Pension return assumptions based on all available and reported data from S&P 500 Index companies and are as of 12/31/2019. State and local pension return assumptions are weighted by plan size. Pension assets, liabilities and funded status based on Milliman 100 companies reporting pension data as of December 2022. All information is shown for illustrative purposes only.  
Guide to the Markets – U.S. Data are as of March 31, 2023.

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# J.P. Morgan Asset Management – Index definitions

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All indexes are unmanaged and an individual cannot invest directly in an index. Index returns do not include fees or expenses.

## Equities:

The **Dow Jones Industrial Average** is a price-weighted average of 30 actively traded blue-chip U.S. stocks.

The **MSCI ACWI (All Country World Index)** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets.

The **MSCI EAFE Index (Europe, Australasia, Far East)** is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada.

The **MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

The **MSCI Europe Index** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe.

The **MSCI Pacific Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the Pacific region.

The **Russell 1000 Index®** measures the performance of the 1,000 largest companies in the Russell 3000.

The **Russell 1000 Growth Index®** measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index®** measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 2000 Index®** measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

The **Russell 2000 Growth Index®** measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 2000 Value Index®** measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 3000 Index®** measures the performance of the 3,000 largest U.S. companies based on total market capitalization.

The **Russell Midcap Index®** measures the performance of the 800 smallest companies in the Russell 1000 Index.

The **Russell Midcap Growth Index®** measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth index.

The **Russell Midcap Value Index®** measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000 Value index.

The **S&P 500 Index** is widely regarded as the best single gauge of the U.S. equities market. The index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. The **S&P 500 Index** focuses on the large-cap segment of the market; however, since it includes a significant portion of the total value of the market, it also represents the market.

## Fixed income:

The **Bloomberg 1-3 Month U.S. Treasury Bill Index** includes all publicly issued zero-coupon US Treasury Bills that have a remaining maturity of less than 3 months and more than 1 month, are rated investment grade, and have \$250 million or more of outstanding face value. In addition, the securities must be denominated in U.S. dollars and must be fixed rate and non convertible.

The **Bloomberg Global High Yield Index** is a multi-currency flagship measure of the global high yield debt market. The index represents the union of the US High Yield, the Pan-European High Yield, and Emerging Markets (EM) Hard Currency High Yield Indices. The high yield and emerging markets sub-components are mutually exclusive. Until January 1, 2011, the index also included CMBS high yield securities.

The **Bloomberg Municipal Index** consists of a broad selection of investment-grade general obligation and revenue bonds of maturities ranging from one year to 30 years. It is an unmanaged index representative of the tax-exempt bond market.

The **Bloomberg US Dollar Floating Rate Note (FRN) Index** provides a measure of the U.S. dollar denominated floating rate note market.

The **Bloomberg US Corporate Investment Grade Index** is an unmanaged index consisting of publicly issued US Corporate and specified foreign debentures and secured notes that are rated investment grade (Baa3/BBB or higher) by at least two ratings agencies, have at least one year to final maturity and have at least \$250 million par amount outstanding. To qualify, bonds must be SEC-registered.

The **Bloomberg US High Yield Index** covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included.

The **Bloomberg US Mortgage Backed Securities Index** is an unmanaged index that measures the performance of investment grade fixed-rate mortgage backed pass-through securities of GNMA, FNMA and FHLMC.

The **Bloomberg US TIPS Index** consists of Inflation-Protection securities issued by the U.S. Treasury.

The **J.P. Morgan Emerging Market Bond Global Index (EMBI)** includes U.S. dollar denominated Brady bonds, Eurobonds, traded loans and local market debt instruments issued by sovereign and quasi-sovereign entities.

The **J.P. Morgan Domestic High Yield Index** is designed to mirror the investable universe of the U.S. dollar domestic high yield corporate debt market.

The **J.P. Morgan Corporate Emerging Markets Bond Index Broad Diversified (CEMBI Broad Diversified)** is an expansion of the **J.P. Morgan Corporate Emerging Markets Bond Index (CEMBI)**. The CEMBI is a market capitalization weighted index consisting of U.S. dollar denominated emerging market corporate bonds.

The **J.P. Morgan Emerging Markets Bond Index Global Diversified (EMBI Global Diversified)** tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds. The index limits the exposure of some of the larger countries.

The **J.P. Morgan GBI EM Global Diversified** tracks the performance of local currency debt issued by emerging market governments, whose debt is accessible by most of the international investor base.

The **U.S. Treasury Index** is a component of the U.S. Government index.



# J.P. Morgan Asset Management – Definitions

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## Other asset classes:

The **Alerian MLP Index** is a composite of the 50 most prominent energy Master Limited Partnerships (MLPs) that provides investors with an unbiased, comprehensive benchmark for the asset class.

The **Bloomberg Commodity Index** and related sub-indices are composed of futures contracts on physical commodities and represents twenty two separate commodities traded on U.S. exchanges, with the exception of aluminum, nickel, and zinc

The **Cambridge Associates U.S. Global Buyout and Growth Index®** is based on data compiled from 1,768 global (U.S. & ex-U.S.) buyout and growth equity funds, including fully liquidated partnerships, formed between 1986 and 2013.

The **CS/Tremont Hedge Fund Index** is compiled by Credit Suisse Tremont Index, LLC. It is an asset-weighted hedge fund index and includes only funds, as opposed to separate accounts. The Index uses the Credit Suisse/Tremont database, which tracks over 4500 funds, and consists only of funds with a minimum of US\$50 million under management, a 12-month track record, and audited financial statements. It is calculated and rebalanced on a monthly basis, and shown net of all performance fees and expenses. It is the exclusive property of Credit Suisse Tremont Index, LLC.

The **HFRI Monthly Indices (HFRI)** are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. The HFRI are broken down into 4 main strategies, each with multiple sub strategies. All single-manager HFRI Index constituents are included in the HFRI Fund Weighted Composite, which accounts for over 2200 funds listed on the internal HFR Database.

The **NAREIT EQUITY REIT Index** is designed to provide the most comprehensive assessment of overall industry performance, and includes all tax-qualified real estate investment trusts (REITs) that are listed on the NYSE, the American Stock Exchange or the NASDAQ National Market List.

The **NFI-ODCE**, short for NCREIF Fund Index -Open End Diversified Core Equity, is an index of investment returns reporting on both a historical and current basis the results of 33 open-end commingled funds pursuing a core investment strategy, some of which have performance histories dating back to the 1970s. The NFI-ODCE Index is capitalization-weighted and is reported gross of fees. Measurement is time-weighted.

## Definitions:

Investing in **alternative assets** involves higher risks than traditional investments and is suitable only for sophisticated investors. Alternative investments involve greater risks than traditional investments and should not be deemed a complete investment program. They are not tax efficient and an investor should consult with his/her tax advisor prior to investing. Alternative investments have higher fees than traditional investments and they may also be highly leveraged and engage in speculative investment techniques, which can magnify the potential for investment loss or gain. The value of the investment may fall as well as rise and investors may get back less than they invested.

**Bonds** are subject to interest rate risks. Bond prices generally fall when interest rates rise.

Investments in **commodities** may have greater volatility than investments in traditional securities, particularly if the instruments involve leverage. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Use of leveraged commodity-linked derivatives creates an opportunity for increased return but, at the same time, creates the possibility for greater loss.

**Derivatives** may be riskier than other types of investments because they may be more sensitive to changes in economic or market conditions than other types of investments and could result in losses that significantly exceed the original investment. The use of derivatives may not be successful, resulting in investment losses, and the cost of such strategies may reduce investment returns.

**Distressed Restructuring Strategies** employ an investment process focused on corporate fixed income instruments, primarily on corporate credit instruments of companies trading at significant discounts to their value at issuance or obliged (par value) at maturity as a result of either formal bankruptcy proceeding or financial market perception of near term proceedings.

Investments in **emerging markets** can be more volatile. The normal risks of investing in foreign countries are heightened when investing in emerging markets. In addition, the small size of securities markets and the low trading volume may lead to a lack of liquidity, which leads to increased volatility. Also, emerging markets may not provide adequate legal protection for private or foreign investment or private property.

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. These price movements may result from factors affecting individual companies, sectors or industries, or the securities market as a whole, such as changes in economic or political conditions. Equity securities are subject to "stock market risk" meaning that stock prices in general may decline over short or extended periods of time.

**Equity market neutral strategies** employ sophisticated quantitative techniques of analyzing price data to ascertain information about future price movement and relationships between securities, select securities for purchase and sale. Equity Market Neutral Strategies typically maintain characteristic net equity market exposure no greater than 10% long or short.

**Global macro strategies** trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency and commodity markets.

**International** investing involves a greater degree of risk and increased volatility. Changes in currency exchange rates and differences in accounting and taxation policies outside the U.S. can raise or lower returns. Some overseas markets may not be as politically and economically stable as the United States and other nations.

There is no guarantee that the use of **long and short positions** will succeed in limiting an investor's exposure to domestic stock market movements, capitalization, sector swings or other risk factors. Using long and short selling strategies may have higher portfolio turnover rates. Short selling involves certain risks, including additional costs associated with covering short positions and a possibility of unlimited loss on certain short sale positions.

**Merger arbitrage strategies** which employ an investment process primarily focused on opportunities in equity and equity related instruments of companies which are currently engaged in a corporate transaction.

**Mid-capitalization** investing typically carries more risk than investing in well-established "blue-chip" companies. Historically, mid-cap companies' stock has experienced a greater degree of market volatility than the average stock.

**Price to forward earnings** is a measure of the price-to-earnings ratio (P/E) using forecasted earnings. **Price to book value** compares a stock's market value to its book value. **Price to cash flow** is a measure of the market's expectations of a firm's future financial health. **Price to dividends** is the ratio of the price of a share on a stock exchange to the dividends per share paid in the previous year, used as a measure of a company's potential as an investment.

**Real estate** investments may be subject to a higher degree of market risk because of concentration in a specific industry, sector or geographical sector. Real estate investments may be subject to risks including, but not limited to, declines in the value of real estate, risks related to general and economic conditions, changes in the value of the underlying property owned by the trust and defaults by borrower.

**Relative Value Strategies** maintain positions in which the investment thesis is predicated on realization of a valuation discrepancy in the relationship between multiple securities.

**Small-capitalization** investing typically carries more risk than investing in well-established "blue-chip" companies since smaller companies generally have a higher risk of failure. Historically, smaller companies' stock has experienced a greater degree of market volatility than the average stock.



# J.P. Morgan Asset Management – Risks & disclosures

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Unless otherwise stated, all data are as of March 31, 2023 or most recently available.

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