

MARKET INSIGHTS

# Weekly Market Recap

U.S. | June 26, 2017

## The week in review

- Current account fell to -\$116.8B
- New/existing home sales +610K/+5.620M
- FHFA House Price index rose 0.7% m/m
- Jobless claims at 241K
- Flash mfg. PMI fell to 52.1

## The week ahead

- Final 1Q GDP
- Durable goods orders
- Case-Shiller HPI
- Consumer confidence
- Jobless claims
- Personal income & outlays

## Thought of the week

Since the start of 2Q17, U.S. economic data have been mixed. On one hand, the unemployment rate has fallen to 4.3% and consumer confidence remains at elevated levels. On the other hand, the demand side of the economy (i.e. data on light vehicle sales, housing starts, net exports and inventory growth, etc.) has disappointed in recent months, coming in below expectations and prior readings. While future data releases bear watching, it is worth thinking about this recent weakness in the context of the long-term drivers of economic growth. As shown in this week's chart, real GDP growth is driven largely by the supply side (i.e. private payroll growth), and while 2Q GDP may look similar to the subpar reading we saw in 1Q, this weakness is being driven by a slowdown in demand. As a result, investors should not panic, as the steadiness of employment growth suggests this potential slowdown will not be as severe as some expect. Furthermore, with private payroll growth remaining stable but exports, inventories and government spending all weaker in the first half, the economy is primed for a bounce back in 2H17. As a result, the continuation of a moderate but healthy economic expansion suggests that investors should stay the course, and not deviate meaningfully from their predetermined asset allocation strategy.

Please see important disclosure on next page.

### WEEKLY DATA CENTER

Equities	Level	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
S&P 500	2438	0.22	3.69	9.98	17.81	32.36
Dow Jones 30	21395	0.05	4.17	9.58	21.84	36.21
Russell 2000	3516	0.58	2.36	4.88	22.41	24.54
Russell 1000 Growth	800.14	1.12	6.24	15.71	21.37	39.78
Russell 1000 Value	701.71	-0.68	0.97	4.28	14.23	22.80
MSCI EAFE	1889	-0.17	6.64	14.51	15.58	4.83
MSCI EM	1012	0.99	6.24	18.44	24.24	5.19
NASDAQ	6265	1.85	6.26	17.02	29.10	48.63

Fixed Income	Yield	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	2.47	0.17	2.03	2.86	1.38	8.80
U.S. Corporates	3.13	0.31	3.17	4.43	4.21	12.60
Municipals (10yr)	2.08	0.07	2.99	4.82	1.10	12.21
High Yield	6.09	-0.37	1.88	4.63	11.96	13.66

Key Rates	Levels (%)					
	6/23/17	6/16/17	3/31/17	12/30/16	6/23/16	6/23/14
2-yr U.S. Treasuries	1.34	1.32	1.27	1.20	0.78	0.48
10-yr U.S. Treasuries	2.15	2.16	2.40	2.45	1.74	2.63
30-yr U.S. Treasuries	2.71	2.78	3.02	3.06	2.55	3.45
10-yr German Bund	0.25	0.27	0.33	0.20	0.09	1.32
3-mo. LIBOR	1.29	1.27	1.15	1.00	0.64	0.23
3-mo. EURIBOR	-0.33	-0.33	-0.33	-0.32	-0.27	0.21
6-mo. CD rate	0.41	0.41	0.38	0.34	0.33	0.35
30-yr fixed mortgage	4.13	4.13	4.34	4.39	3.76	4.33
Prime Rate	4.25	4.25	4.00	3.75	3.50	3.25

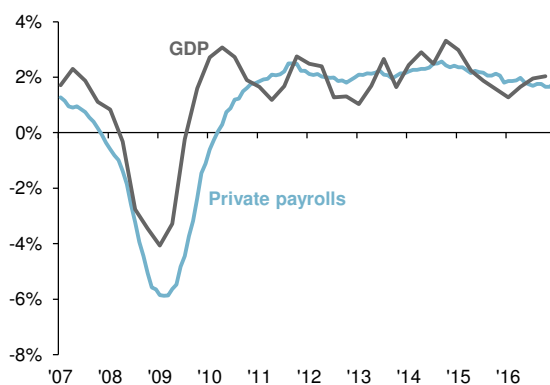
Index Characteristics			
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
17.57	3.02	1.99	45.01
16.88	3.58	2.23	N/A
23.71	2.12	1.51	1.25
20.03	5.72	1.60	23.15
15.79	1.99	2.65	28.62
14.92	1.63	3.03	19.93
12.40	1.57	2.39	13.44
22.40	3.79	1.05	4.25

Currencies	Levels		
	6/23/17	12/30/16	6/23/16
\$ per €	1.12	1.05	1.14
\$ per £	1.27	1.24	1.48
¥ per \$	111.28	116.64	105.71

Commodities	Levels		
	6/23/17	12/30/16	6/23/16
Oil (WTI)	43.01	53.75	49.34
Gasoline	2.32	2.31	2.35
Natural Gas	2.86	3.71	2.69
Gold	1256	1146	1262
Silver	16.71	16.24	17.29
Copper	5774	5501	4747
Corn	3.28	3.33	3.75
BBG Idx	161.59	176.94	178.28

### CHART OF THE WEEK

**Real GDP growth is driven largely by the supply side**  
Real GDP & private payrolls, y/y % change



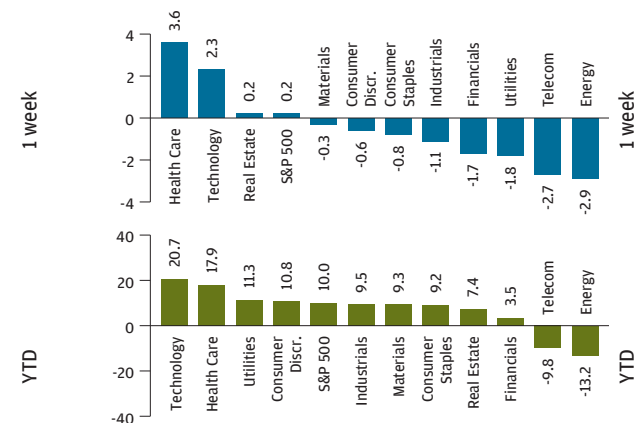
### STYLE RETURNS

	V	B	G
L	-0.7	0.2	1.1
M	-0.7	-0.1	0.7
S	-0.8	0.6	2.0

	V	B	G
L	4.3	10.0	15.7
M	4.7	8.2	12.6
S	-0.4	4.9	10.8

### S&P 500 SECTOR RETURNS



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*Chart of the Week:* Source: BEA, U.S. Department of Labor, J.P. Morgan Asset Management.

*Thought of the week:* Source: BEA, U.S. Department of Labor, J.P. Morgan Asset Management.

Abbreviations: Cons. Sent.: University of Michigan Consumer Sentiment Index; CPI: Consumer Price Index; EIA: Energy Information Agency; FHFA HPI: - Federal Housing Finance Authority House Price Index; FOMC: Federal Open Market Committee; GDP: gross domestic product; HPI: Home Price Index; HMI: Housing Market Index; ISM Mfg. Index: Institute for Supply Management Manufacturing Index; PCE: Personal consumption expenditures; Philly Fed Survey: Philadelphia Fed Business Outlook Survey; PMI: Purchasing Managers' Manufacturing Index; PPI: Producer Price Index; SAAR: Seasonally Adjusted Annual Rate

Equity Price Levels and Returns: All returns represent total return for stated period. Index: S&P 500; provided by: Standard & Poor's. Index: Dow Jones Industrial 30 (The Dow Jones is a price-weighted index composing of 30 widely-traded blue chip stocks.) ; provided by: S&P Dow Jones Indices LLC. Index: Russell 2000; provided by: Russell Investments. Index: Russell 1000 Growth; provided by: Russell Investments. Index: Russell 1000 Value; provided by: Russell Investments. Index: MSCI - EAFE; provided by: MSCI - gross official pricing. Index: MSCI - EM; provided by: MSCI - gross official pricing. Index: Nasdaq Composite; provided by: NASDAQ OMX Group.

MSCI EAFE is a Morgan Stanley Capital International Index that is designed to measure the performance of the developed stock markets of Europe, Australasia, and the Far East.

Bond Returns: All returns represent total return. Index: Barclays US Aggregate; provided by: Barclays Capital. Index: Barclays Investment Grade Credit; provided by: Barclays Capital. Index: Barclays Municipal Bond 10 Yr; provided by: Barclays Capital. Index: Barclays Capital High Yield Index; provided by: Barclays Capital.

Key Interest Rates: 2 Year Treasury, FactSet; 10 Year Treasury, FactSet; 30 Year Treasury, FactSet; 10 Year German Bund, FactSet. 3 Month LIBOR, British Bankers' Association; 3 Month EURIBOR, European Banking Federation; 6 Month CD, Federal Reserve; 30 Year Mortgage, Mortgage Bankers Association (MBA); Prime Rate: Federal Reserve.

Commodities: Gold, FactSet; Crude Oil (WTI), FactSet; Gasoline, FactSet; Natural Gas, FactSet; Silver, FactSet; Copper, FactSet; Corn, FactSet. Bloomberg Commodity Index (BBG Idx), Bloomberg Finance L.P.

Currency: Dollar per Pound, FactSet; Dollar per Euro, FactSet; Yen per Dollar, FactSet.

S&P Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average using First Call Mean estimates for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet's Pricing database as provided by Standard & Poor's.

MSCI Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from MSCI and Price information from FactSet's Pricing database as provided by MSCI.

Russell 1000 Value Index, Russell 1000 Growth Index, and Russell 2000 Index Characteristics: Trailing P/E is provided directly by Russell. Fwd. P/E is a bottom-up weighted harmonic average using First Call Mean estimates for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet's Pricing database as provided by Russell.

Sector Returns: Sectors are based on the GICS methodology. Return data are calculated by FactSet using constituents and weights as provided by Standard & Poor's. Returns are cumulative total return for stated period, including reinvestment of dividends.

Style Returns: Style box returns based on Russell Indexes with the exception of the Large-Cap Blend box, which reflects the S&P 500 Index. All values are cumulative total return for stated period including the reinvestment of dividends. The index used from L to R, top to bottom are: Russell 1000 Value Index (Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values), S&P 500 Index (Index represents the 500 Large Cap portion of the stock market, and is comprised of 500 stocks as selected by the S&P Index Committee), Russell 1000 Growth Index (Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values), Russell Mid Cap Value Index (Measures the performance of those Russell Mid Cap companies with lower price-to-book ratios and lower forecasted growth values), Russell Mid Cap Index (The Russell Midcap Index includes the smallest 800 securities in the Russell 1000), Russell Mid Cap Growth Index (Measures the performance of those Russell Mid Cap companies with higher price-to-book ratios and higher forecasted growth values), Russell 2000 Value Index (Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values), Russell 2000 Index (The Russell 2000 includes the smallest 2000 securities in the Russell 3000), Russell 2000 Growth Index (Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values).

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

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

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Unless otherwise stated, all data is as of June 26, 2017 or as of most recently available.