

MARKET INSIGHTS

# Weekly Market Recap

U.S. | May 13, 2019

## The week in review

- Job openings at 7.488M
- Trade balance widened to -\$50.0B
- PPI/core PPI rose 2.2% y/y / 2.4% y/y
- CPI/core CPI rose 2.0% y/y / 2.1% y/y

## The week ahead

- Retail sales
- NY/Philly Fed mfg. surveys
- Industrial production
- Housing starts
- Consumer sentiment

## Thought of the week

Last Friday, the U.S. raised tariffs from 10% to 25% on \$200bn worth of Chinese goods and started the process of applying tariffs to nearly all of China's imports to the United States. China is expected to retaliate, but the extent of this retaliation is still unclear. Escalating trade tensions have undermined a portion of 2019's equity market gains, with the S&P 500 falling 2.1% last week as investors began to price in a lower probability of a trade deal. As this week's chart shows, market expectations of a trade deal can be proxied by the relative performance of Chinese equities and China sensitive U.S. equities, which have ebbed and flowed with the trajectory of U.S.-China trade talks. These stocks came under pressure in 2018 as a result of escalating trade tensions, but have outperformed in 2019 as a result of advancing talks. While it is our base case that a trade deal will be reached sometime this summer, we expect equity market volatility to increase through the rest of the year. As a result, stocks that offer a better balance between capital appreciation and income should give investors some protection on the downside, while also allowing them to participate as equity markets grind higher.

### WEEKLY DATA CENTER

Equities	Level	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
S&P 500	2881	-2.10	1.87	15.77	7.99	46.96
Dow Jones 30	25942	-1.96	0.32	12.17	7.36	55.64
Russell 2000	3909	-2.52	2.25	17.17	-0.56	45.17
Russell 1000 Growth	1028	-2.36	2.33	18.80	10.50	60.97
Russell 1000 Value	759.89	-1.82	1.48	13.59	5.06	33.63
MSCI EAFE	1865	-2.59	0.20	10.35	-5.57	24.37
MSCI EM	1033	-4.51	-2.14	7.61	-8.10	38.81
NASDAQ	7917	-2.96	2.54	19.77	8.12	70.20

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	2.94	0.31	0.27	3.22	5.71	5.79
U.S. Corporates	3.63	0.14	0.52	5.69	6.74	10.30
Municipals (10yr)	2.01	0.56	0.97	4.15	6.86	8.23
High Yield	6.61	-0.51	0.92	8.25	6.06	25.18

Key Rates	Levels (%)					
	5/10/19	5/3/19	3/29/19	12/31/18	5/10/18	5/10/16
2-yr U.S. Treasuries	2.26	2.33	2.27	2.48	2.54	0.72
10-yr U.S. Treasuries	2.47	2.54	2.41	2.69	2.97	1.77
30-yr U.S. Treasuries	2.89	2.93	2.81	3.02	3.12	2.61
10-yr German Bund	-0.04	0.02	-0.07	0.24	0.53	0.13
3-mo. LIBOR	2.53	2.56	2.60	2.81	2.36	0.63
3-mo. EURIBOR	-0.31	-0.31	-0.31	-0.31	-0.33	-0.26
6-mo. CD rate	0.86	0.86	0.79	0.68	0.55	0.33
30-yr fixed mortgage	4.41	4.41	4.36	4.84	4.78	3.82
Prime Rate	5.50	5.50	5.50	5.50	4.75	3.50

Index Characteristics			
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
16.52	3.24	1.89	51.36
15.48	3.89	2.19	N/A
21.41	2.01	1.31	1.25
20.71	6.94	1.18	25.90
13.90	2.03	2.52	35.76
13.23	1.53	3.35	19.79
11.99	1.55	2.66	14.90
22.51	4.34	1.04	5.01

Currencies	Levels		
	5/10/19	12/31/18	5/10/18
\$ per €	1.12	1.14	1.19
\$ per £	1.30	1.27	1.35
¥ per \$	109.61	109.72	109.58

Commodities	Levels		
	5/10/19	12/31/18	5/10/18
Oil (WTI)	61.66	45.15	71.36
Gasoline	2.90	2.27	2.85
Natural Gas	2.62	2.94	2.78
Gold	1287	1279	1319
Silver	14.80	15.47	16.60
Copper	6136	5965	6862
Corn	3.22	3.42	3.72
BBG Idx	165.20	159.72	185.93

### CHART OF THE WEEK



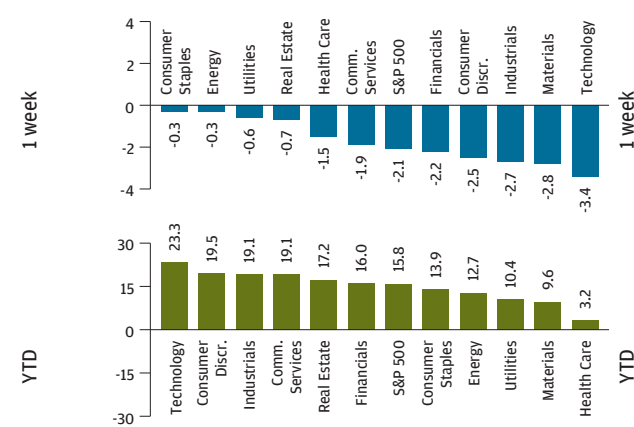
### STYLE RETURNS

	V	B	G
L	-1.8	-2.1	-2.4
M	-1.7	-1.9	-2.0
S	-2.2	-2.5	-2.8

	V	B	G
L	13.6	15.8	18.8
M	16.2	18.9	22.7
S	15.2	17.2	19.1

### S&P 500 SECTOR RETURNS



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*Chart of the Week:* Source: Bloomberg, FactSet, MSCI, Standard & Poor's, J.P. Morgan Equity Strategy and Quantitative Research, J.P. Morgan Asset Management. MSCI China and MSCI AC World index prices are in U.S. dollars. Chinese sensitive U.S. equities is based on the JPAMCNEX index and takes the top 50 stocks in the S&P 500 ranked based on an equal weight between high revenue to China and high mentions of tariff concerns in their earnings call transcripts.

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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 May 13, 2019 or as of most recently available.

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