



JPMORGAN ASSET MANAGEMENT

Weekly Market Recap September 14, 2020

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MARKET INSIGHTS

Weekly Market Recap

U.S. | September 14, 2020

The week in review

- Job openings rose to 6,618K
- Jobless claims steady at 884K
- CPI/Core CPI rose 1.3%/1.7% y/y

The week ahead

- FOMC meeting
- Retail sales
- Housing starts
- Jobless claims

Thought of the week

The roller coaster ride in equity markets over the past couple of months has been driven in large part by a handful of technology stocks. While this dynamic has pushed U.S. markets to all-time highs and valuations to extreme levels, we do not see the same fundamental challenges today as were present prior to the tech bubble. Despite the pandemic, technology earnings rose 0.5% y/y in 2Q20 while overall S&P 500 earnings contracted by roughly 27% on a pro-forma basis. In contrast, in 2000 the sector contributed roughly 16% to earnings, yet earnings contracted severely through the first half of 2001 before turning negative by the third quarter. In addition, and as highlighted, free cash flow margins reveal the sector's far better operating performance relative to the broader market. By expanding into software and away from hardware, technology sales growth has accelerated, leading to cash-rich balance sheets. Free cash flow margins have expanded from less than 5% in the aftermath of the tech bubble to over 23% today. Looking ahead, the outlook for technology earnings remains positive and momentum could continue to push the market higher in the short term. With that being said, however, a more broad-based market recovery across other sectors will be needed to sustain the rally over the medium to long term, suggesting investors will need to complement tech exposure with cyclical value and international equities.

WEEKLY DATA CENTER

Equities	Level	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
S&P 500	3341	-2.49	8.13	4.80	13.49	42.41
Dow Jones 30	27666	-1.61	7.74	-1.34	4.44	34.57
Russell 2000	3721	-2.45	4.11	-9.40	-3.58	10.32
Russell 1000 Growth	1405	-3.49	10.09	20.89	32.50	76.24
Russell 1000 Value	726.19	-1.48	6.22	-11.05	-5.08	11.23
MSCI EAFE	1897	1.45	6.96	-4.87	2.85	6.11
MSCI EM	1092	-0.67	10.54	-0.15	10.18	7.81
NASDAQ	10854	-4.06	8.07	21.76	34.15	74.09

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	1.15	0.25	0.84	7.03	7.75	16.28
U.S. Corporates	1.99	0.30	2.09	7.22	9.38	21.09
Municipals (10yr)	1.15	0.05	1.21	3.71	4.34	12.81
High Yield	5.96	-0.22	5.34	1.34	3.89	14.71

Key Rates	Levels (%)					
	9/11/20	9/4/20	6/30/20	12/31/19	9/11/19	9/11/17
2-yr U.S. Treasuries	0.13	0.14	0.16	1.58	1.68	1.32
10-yr U.S. Treasuries	0.67	0.72	0.66	1.92	1.75	2.14
30-yr U.S. Treasuries	1.42	1.46	1.41	2.39	2.22	2.75
10-yr German Bund	-0.48	-0.48	-0.48	-0.19	-0.57	0.33
3-mo. LIBOR	0.25	0.25	0.30	1.91	2.13	1.32
3-mo. EURIBOR	-0.48	-0.48	-0.42	-0.38	-0.43	-0.33
6-mo. CD rate	0.32	0.32	0.35	0.79	0.96	0.41
30-yr fixed mortgage	3.07	3.07	3.29	3.95	3.82	4.03
Prime Rate	3.25	3.25	3.25	4.75	5.25	4.25

Index Characteristics			
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
21.67	3.54	1.77	59.63
20.61	4.16	2.31	288.92
36.27	1.78	1.70	1.10
29.98	9.80	0.82	51.27
17.65	2.03	2.63	27.24
17.87	1.52	2.63	20.79
15.10	1.65	2.28	16.14
32.11	5.28	0.81	6.65

Currencies	Levels		
	9/11/20	12/31/19	9/11/19
\$ per €	1.18	1.12	1.10
\$ per £	1.28	1.32	1.23
¥ per \$	106.20	108.68	107.74

Commodities	Levels		
	9/11/20	12/31/19	9/11/19
Oil (WTI)	37.33	61.14	55.66
Gasoline	2.21	2.57	2.55
Natural Gas	2.27	2.09	2.63
Gold	1947	1515	1491
Silver	26.88	18.05	18.17
Copper	6758	6156	5765
Corn	3.12	3.77	3.33
BBG Idx	152.71	172.00	165.45

CHART OF THE WEEK

Technology sector generates very strong free cash flow

Trailing 12-mo. free cash flow margin for S&P 500 and tech sector

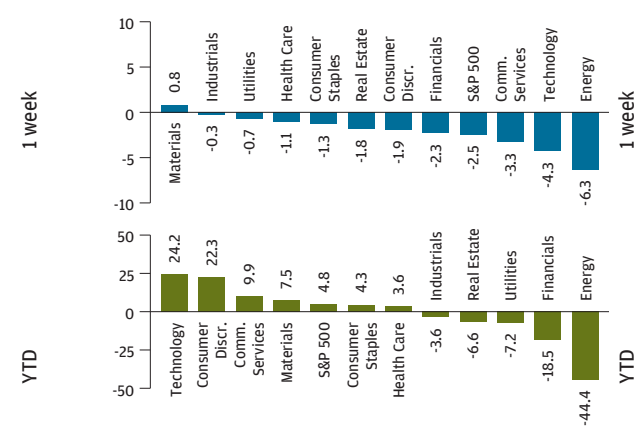


STYLE RETURNS

	V	B	G
L	-1.5	-2.5	-3.5
M	-1.8	-2.0	-2.3
S	-3.5	-2.5	-1.5

	V	B	G
L	-11.1	4.8	20.9
M	-12.4	-3.8	8.3
S	-20.3	-9.4	0.9

S&P 500 SECTOR RETURNS



Please see important disclosure on next page.

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Chart of the Week: Source: FactSet, J.P. Morgan Asset Management. Data are as of September 10, 2020.

Thought of the week: Source: FactSet, J.P. Morgan Asset Management. Data are as of September 10, 2020.

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

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

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

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

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

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

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

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

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

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

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

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

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Unless otherwise stated, all data is as of September 14, 2020 or as of most recently available.

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