



**JPMORGAN ASSET MANAGEMENT**

# Weekly Market Recap November 16, 2020

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## MARKET INSIGHTS

## Weekly Market Recap

U.S. | November 16, 2020

## The week in review

- CPI/Core CPI at 1.2%/1.6% y/y
- Jobless claims fell to 709k

## The week ahead

- Retail sales
- Industrial production
- Housing starts
- Existing home sales

## Thought of the week

While the ominous rise in case counts suggests an even greater human toll in the months ahead, given that the inherent value of stocks depends on future earnings over many years, equities have been more sensitive to vaccine prospects rather than current case counts. Last week, promising news around a potentially highly effective COVID-19 vaccine led to a broad style rotation in stocks, with value outperforming growth. As the probability rises for a vaccine arriving in early 2021, investors are considering whether value can finally outperform growth over an extended period. Good Judgment, a global network of professional forecasters who collaborate to tackle forecasting questions around complex macro themes, has been polling its members on when an effective vaccine could be broadly distributed. Notably, these forecasts now suggest an 83% probability of a vaccine being distributed in 1Q21, up from 48% at the beginning of the month. As shown in the chart, when the probability of an effective vaccine being broadly distributed by the end of 1Q21 has increased by more than 5% w/w, on average, traditional value sectors have outperformed the broader index while growth has lagged. Moreover, relative valuations continue to favor value over growth, and 2021 analyst estimates suggest a more robust earnings recovery among the more beaten up value sectors. While we still prefer active stock selection across styles, we are cautiously optimistic that as vaccine prospects improve, value should turn the corner.

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             | 3585   | 2.21              | 6.82  | 12.77 | 18.09  | 47.07      |
| Dow Jones 30        | 29480  | 4.19              | 6.33  | 5.37  | 8.62   | 34.88      |
| Russell 2000        | 4334   | 6.13              | 15.82 | 5.76  | 11.32  | 23.28      |
| Russell 1000 Growth | 1506   | -1.27             | 4.36  | 29.75 | 36.93  | 79.56      |
| Russell 1000 Value  | 790.97 | 5.69              | 10.01 | -2.72 | 0.99   | 18.05      |
| MSCI EAFE           | 1998   | 3.89              | 7.85  | 0.59  | 4.10   | 10.63      |
| MSCI EM             | 1188   | 1.03              | 9.96  | 8.96  | 16.76  | 14.92      |
| NASDAQ              | 11829  | -0.53             | 6.02  | 32.88 | 40.78  | 80.56      |

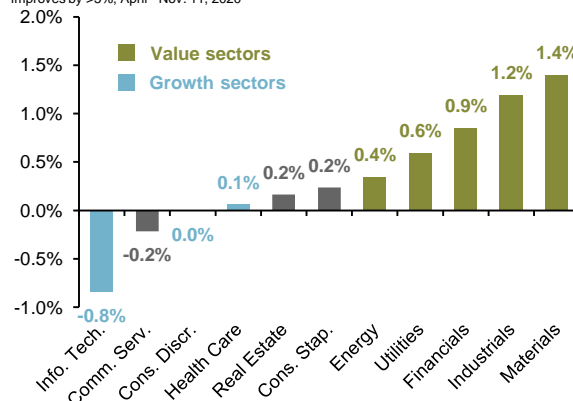
| Fixed Income      | Yield | Levels (%) |       |      |        |            |
|-------------------|-------|------------|-------|------|--------|------------|
|                   |       | 1 week     | QTD   | YTD  | 1 year | 3-yr. Cum. |
| U.S. Aggregate    | 1.24  | -0.14      | -0.10 | 6.68 | 7.29   | 16.65      |
| U.S. Corporates   | 1.99  | -0.12      | 1.02  | 7.73 | 9.20   | 21.87      |
| Municipals (10yr) | 1.11  | 0.05       | 0.40  | 4.19 | 5.30   | 14.01      |
| High Yield        | 5.57  | 0.48       | 3.12  | 3.76 | 6.04   | 17.13      |

| Key Rates             | Levels (%) |         |         |          |          |          |
|-----------------------|------------|---------|---------|----------|----------|----------|
|                       | 11/13/20   | 11/6/20 | 9/30/20 | 12/31/19 | 11/13/19 | 11/13/17 |
| 2-yr U.S. Treasuries  | 0.17       | 0.16    | 0.13    | 1.58     | 1.63     | 1.70     |
| 10-yr U.S. Treasuries | 0.89       | 0.83    | 0.69    | 1.92     | 1.88     | 2.40     |
| 30-yr U.S. Treasuries | 1.65       | 1.60    | 1.46    | 2.39     | 2.36     | 2.87     |
| 10-yr German Bund     | -0.55      | -0.61   | -0.53   | -0.19    | -0.31    | 0.41     |
| 3-mo. LIBOR           | 0.22       | 0.21    | 0.23    | 1.91     | 1.91     | 1.42     |
| 3-mo. EURIBOR         | -0.51      | -0.51   | -0.50   | -0.38    | -0.40    | -0.33    |
| 6-mo. CD rate         | 0.28       | 0.28    | 0.30    | 0.79     | 0.79     | 0.45     |
| 30-yr fixed mortgage  | 2.98       | 2.98    | 3.05    | 3.95     | 4.03     | 4.18     |
| Prime Rate            | 3.25       | 3.25    | 3.25    | 4.75     | 4.75     | 4.25     |

## CHART OF THE WEEK

## Value sectors outperform as probability of vaccine improve

Average w/w sector outperformance relative to S&P 500 benchmark when vaccine probability improves by >5%, April - Nov. 11, 2020

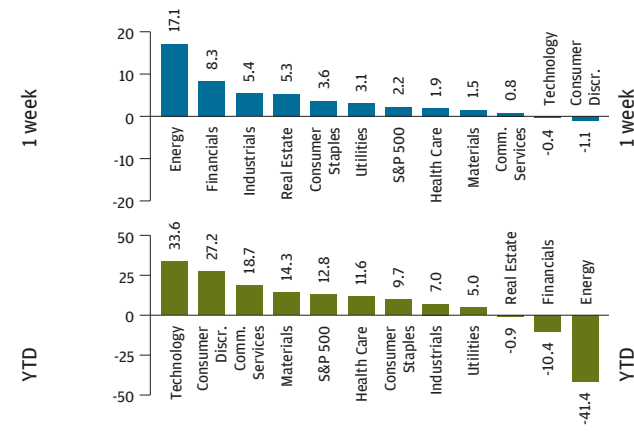


## STYLE RETURNS

|   | V   | B   | G    |
|---|-----|-----|------|
| L | 5.7 | 2.2 | -1.3 |
| M | 6.0 | 3.2 | -1.5 |
| S | 9.2 | 6.1 | 3.4  |

|   | V    | B    | G    |
|---|------|------|------|
| L | -2.7 | 12.8 | 29.7 |
| M | -1.8 | 8.5  | 23.2 |
| S | -6.9 | 5.8  | 17.7 |

## S&amp;P 500 SECTOR RETURNS



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*Chart of the Week:* Source: FactSet, Good Judgment Inc., Standard & Poor's, J.P. Morgan Asset Management. Vaccine distribution probabilities are based on Good Judgement Professional Forecasters. The question asked is "When will enough doses of FDA-approved COVID-19 vaccine(s) to inoculate 25 million people be distributed in the United States?" and probabilities are based on whether the vaccine will be distributed between 10/2020 and 3/2021.

*Thought of the week:* Source: FactSet, Good Judgment Inc., Standard & Poor's, J.P. Morgan Asset Management. Vaccine distribution probabilities are based on Good Judgement Professional Forecasters. The question asked is "When will enough doses of FDA-approved COVID-19 vaccine(s) to inoculate 25 million people be distributed in the United States?" and probabilities are based on whether the vaccine will be distributed between 10/2020 and 3/2021.

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 November 16, 2020 or as of most recently available.

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