



**JPMORGAN ASSET MANAGEMENT**

# Weekly Market Recap August 17, 2020

**IMPORTANT NOTICE**

The following material is provided by a third-party strategist unaffiliated with AssetMark. The strategist is solely responsible for its content. Please read the risks and disclosures section for additional important information. AssetMark has not verified the accuracy of the information contained in this material.

For financial advisor use with advisory clients.

C20-15698 | 08/2020 | EXP 12/31/2021

MARKET INSIGHTS

# Weekly Market Recap

U.S. | August 17, 2020

## The week in review

- Headline/Core CPI both rose 0.6% m/m
- Jobless claims at 963k
- Retail sales increased 1.2% m/m
- Industrial production rose 3.0% m/m

## The week ahead

- FOMC meeting minutes
- Flash mfg. and services PMIs

## Thought of the week

As has been the case in the U.S., 2Q earnings fell very sharply in international markets as COVID-19 induced shutdowns weighed heavily on corporate results. As shown in this week's chart, the regions with the biggest weighting in cyclical sectors have seen the biggest fall in earnings. Cyclical sectors account for only 35% of the S&P 500's market capitalization, while representing 50% or more of international markets. So far, earnings in Europe and Japan are on track to fall by -31% and -26% y/y, respectively, in 2Q. In addition, cyclical regions of emerging markets are expected see much deeper contractions at -56% for EMEA and -72% for Latin America. On the other hand, earnings in EM Asia are tracking positive growth of 7%, reflecting its more moderate weighting toward cyclicals and its advanced recovery relative to the rest of the world. Overall, while cyclical bias has led to a larger drop in international earnings in 2020, it should also drive a stronger bounce back in 2021. In addition to a stronger cyclical bias, some foreign countries have achieved better control over the virus than the U.S. and, like the U.S., have provided broad fiscal support to their economies. Combined with the potential for further U.S. dollar weakness, international markets might finally be at a better starting position as we enter a new cycle. Consequently, this may be a good moment for investors to consider some international diversification by increasing their exposure to regions that can benefit from a potentially stronger economic revival, especially Europe and EM Asia.

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	3373	0.69	9.02	5.66	21.07	45.12
Dow Jones 30	27931	1.87	8.47	-0.68	12.29	36.24
Russell 2000	3921	0.59	9.61	-4.62	9.12	17.98
Russell 1000 Growth	1410	0.39	10.42	21.26	38.43	80.28
Russell 1000 Value	738.41	0.94	7.81	-9.72	3.31	13.26
MSCI EAFE	1900	2.47	6.93	-4.91	7.80	8.53
MSCI EM	1093	0.40	10.56	-0.13	16.44	12.74
NASDAQ	11019	0.09	9.64	23.53	43.13	79.37

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	1.18	-0.91	0.68	6.85	7.08	16.71
U.S. Corporates	2.00	-1.58	2.01	7.14	8.58	21.73
Municipals (10yr)	1.02	-0.36	1.88	4.40	4.12	14.23
High Yield	6.01	-0.47	4.78	0.80	5.25	14.96

Key Rates	Levels (%)					
	8/14/20	8/7/20	6/30/20	12/31/19	8/14/19	8/14/17
2-yr U.S. Treasuries	0.14	0.13	0.16	1.58	1.58	1.33
10-yr U.S. Treasuries	0.71	0.57	0.66	1.92	1.59	2.22
30-yr U.S. Treasuries	1.45	1.23	1.41	2.39	2.03	2.81
10-yr German Bund	-0.42	-0.53	-0.48	-0.19	-0.64	0.40
3-mo. LIBOR	0.27	0.25	0.30	1.91	2.17	1.31
3-mo. EURIBOR	-0.48	-0.48	-0.42	-0.38	-0.41	-0.33
6-mo. CD rate	0.33	0.33	0.35	0.79	0.86	0.43
30-yr fixed mortgage	3.06	3.06	3.29	3.95	3.93	4.12
Prime Rate	3.25	3.25	3.25	4.75	5.25	4.25

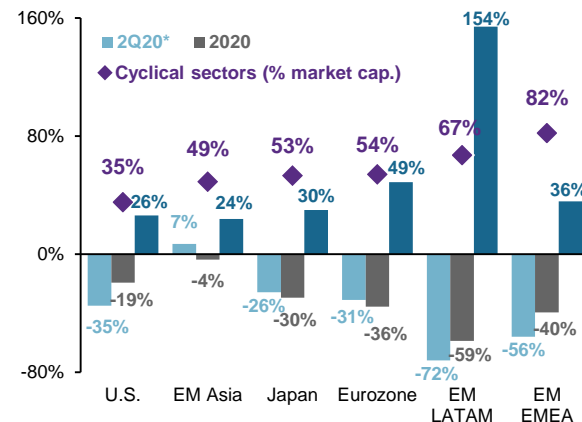
Index Characteristics				
	NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
	22.36	3.53	1.75	60.12
	21.44	3.95	2.27	292.29
	42.21	1.84	1.62	1.16
	30.74	9.74	0.82	51.22
	18.38	2.04	2.59	27.47
	18.14	1.51	2.79	20.66
	15.43	1.64	2.36	16.01
	33.29	5.27	0.80	6.75

Currencies	Levels		
	8/14/20	12/31/19	8/14/19
\$ per €	1.18	1.12	1.12
\$ per £	1.31	1.32	1.21
¥ per \$	106.45	108.68	105.81

Commodities	Levels		
	8/14/20	12/31/19	8/14/19
Oil (WTI)	42.05	61.14	55.16
Gasoline	2.17	2.57	2.62
Natural Gas	2.36	2.09	2.22
Gold	1945	1515	1513
Silver	26.71	18.05	17.12
Copper	6343	6156	5732
Corn	3.10	3.77	3.42
BBG Idx	151.10	172.00	162.36

### CHART OF THE WEEK

International cyclical bias: a large EPS drop in '20, but a strong bounce in '21  
Consensus estimates of EPS year-over-year growth

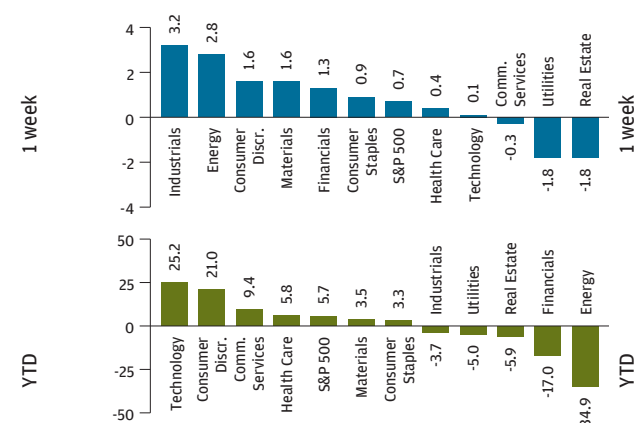


### STYLE RETURNS

	V	B	G
L	0.9	0.7	0.4
M	1.2	0.7	-0.3
S	1.6	0.6	-0.4

	V	B	G
L	-9.7	5.7	21.3
M	-10.5	-1.2	12.3
S	-15.4	-4.6	5.3

### S&P 500 SECTOR RETURNS



## MARKET INSIGHTS

## Weekly Market Recap

U.S. | August 17, 2020

*Chart of the Week:* Source: FactSet, Standard & Poor's, J.P. Morgan Global Economic Research, J.P. Morgan Asset Management. \*2Q20 earnings growth for eurozone and EM are estimates from J.P. Morgan Global Economic Research, and Japan is based on FactSet Market Aggregates. Cyclical sectors are Consumer Discretionary, Financials, Industrials, Energy and Materials.

*Thought of the week:* Source: FactSet, Standard & Poor's, J.P. Morgan Global Economic Research, J.P. Morgan Asset Management. \*2Q20 earnings growth for eurozone and EM are estimates from J.P. Morgan Global Economic Research, and Japan is based on FactSet Market Aggregates. Cyclical sectors are Consumer Discretionary, Financials, Industrials, Energy and Materials.

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.**

Opinions and estimates offered constitute our judgment and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. We believe the information provided here is reliable, but do not warrant its accuracy or completeness. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The views and strategies described may not be appropriate for all investors. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, accounting, legal or tax advice. References to future returns are not promises or even estimates of actual returns a client portfolio may achieve. Any forecasts contained herein are for illustrative purposes only and are not to be relied upon as advice or interpreted as a recommendation.

For U.S. only: If you are a person with a disability and need additional support in viewing the material, please call us at 1-800-343-1113 for assistance.

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. International investing involves a greater degree of risk and increased volatility. There is no guarantee that companies that can issue dividends will declare, continue to pay, or increase dividends. Investments in commodities may have greater volatility than investments in traditional securities, particularly if the instruments involve leverage.

JPMorgan Distribution Services, Inc., member of FINRA.

J.P. Morgan Asset Management is the marketing name for the asset management businesses of JPMorgan Chase & Co. Those businesses include, but are not limited to, J.P. Morgan Investment Management Inc., Security Capital Research & Management Incorporated and J.P. Morgan Alternative Asset Management, Inc. and JPMorgan Asset Management (Canada) Inc.

©JPMorgan Chase & Co., August 2020.

Unless otherwise stated, all data is as of August 17, 2020 or as of most recently available.

0903c02a81dbac80