



JPMORGAN ASSET MANAGEMENT

Weekly Market Recap

June 22, 2020

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MARKET INSIGHTS

Weekly Market Recap

U.S. | June 22, 2020

The week in review

- Initial jobless claims at 1,508K
- Retail sales jumped 17.7% m/m
- Housing starts at 974K

The week ahead

- Existing/new home sales
- Markit mfg./srvs. PMI
- PCE/Core PCE

Thought of the week

With the scars of the financial crisis still fresh in investors' minds, the current recession has sparked renewed concerns around the stability of the banking system, specifically regarding bank exposure to collateralized loan obligations (CLOs) backed by risky leveraged loans. However, there are several reasons why another collapse is unlikely. First, the underlying loan collateral of CLOs accounted for just 5.6% of 2019 GDP, while the residential mortgage market – the collateral that backed subprime collateral debt obligations (CDOs) during the last financial crisis – accounted for 73.5% of GDP in 2007. Second, banks are far better capitalized. As shown in this week's chart, common equity tier 1 capital ratio, a measure of a bank's ability to absorb credit losses, has improved remarkably following the financial crisis. Third, CLO ownership is largely concentrated amongst the top three U.S. banks that typically hold the most senior secured AAA tranches. Importantly, since 1994, due to credit enhancements across senior tranches, there has never been an AAA-rated CLO tranche that has defaulted. Lastly, aggressive and swift action from the Federal Reserve has provided support to credit markets that was not present in 2008, relieving some of the burden on banks. We recognize the current recession will present some challenges as defaults move higher in the lower rated tranches. However, we do not expect a wave of defaults severe enough to cause a systemic problem to the financial system.

WEEKLY DATA CENTER

Equities	Level	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
S&P 500	3098	1.88	20.41	-3.19	7.99	34.01
Dow Jones 30	25871	1.07	18.78	-8.22	0.05	29.00
Russell 2000	3526	2.25	23.37	-14.40	-7.43	4.29
Russell 1000 Growth	1265	3.11	26.50	8.67	22.02	64.30
Russell 1000 Value	695.91	0.53	15.70	-15.23	-6.71	5.95
MSCI EAFE	1804	2.06	16.44	-10.01	-2.25	4.23
MSCI EM	1001	1.55	18.71	-9.27	-0.75	7.59
NASDAQ	9946	3.74	29.46	11.39	25.83	64.59

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	1.32	0.20	2.69	5.92	8.92	16.25
U.S. Corporates	2.20	0.95	8.94	4.98	10.55	19.94
Municipals (10yr)	1.35	0.03	2.72	2.31	4.79	12.85
High Yield	6.67	0.87	11.89	-2.30	2.14	11.88

Key Rates	Levels (%)					
	6/19/20	6/12/20	3/31/20	12/31/19	6/19/19	6/19/17
2-yr U.S. Treasuries	0.19	0.19	0.23	1.58	1.74	1.36
10-yr U.S. Treasuries	0.70	0.71	0.70	1.92	2.03	2.19
30-yr U.S. Treasuries	1.47	1.45	1.35	2.39	2.54	2.79
10-yr German Bund	-0.46	-0.44	-0.49	-0.19	-0.29	0.31
3-mo. LIBOR	0.31	0.32	1.45	1.91	2.39	1.28
3-mo. EURIBOR	-0.41	-0.37	-0.36	-0.38	-0.34	-0.33
6-mo. CD rate	0.36	0.35	0.49	0.79	0.95	0.41
30-yr fixed mortgage	3.30	3.30	3.47	3.95	4.14	4.13
Prime Rate	3.25	3.25	3.25	4.75	5.50	4.25

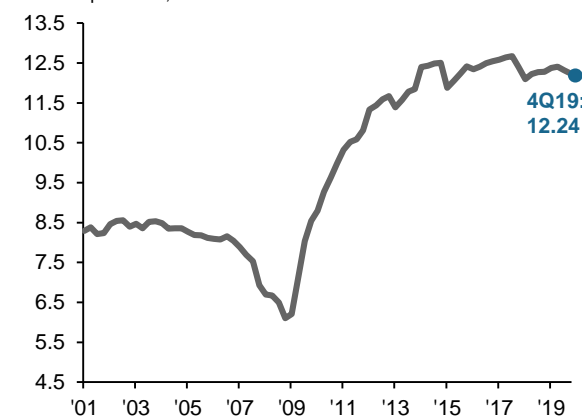
Index Characteristics			
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
21.77	3.34	1.89	55.25
20.59	3.84	2.45	265.94
47.67	1.87	1.55	1.11
27.63	8.04	1.04	42.71
17.90	1.86	2.94	21.77
17.99	1.49	2.85	19.66
14.65	1.56	2.84	14.58
32.78	4.94	0.87	6.19

Currencies	Levels		
	6/19/20	12/31/19	6/19/19
\$ per €	1.12	1.12	1.12
\$ per £	1.24	1.32	1.26
¥ per \$	106.97	108.68	108.40

Commodities	Levels		
	6/19/20	12/31/19	6/19/19
Oil (WTI)	39.74	61.14	53.74
Gasoline	2.10	2.57	2.67
Natural Gas	1.67	2.09	2.43
Gold	1735	1515	1344
Silver	17.53	18.05	14.95
Copper	5836	6156	5895
Corn	3.14	3.77	4.26
BBG Idx	137.77	172.00	163.75

CHART OF THE WEEK

Banks' financial strength has improved since the crisis
CET1 capital ratio, all U.S. commercial banks

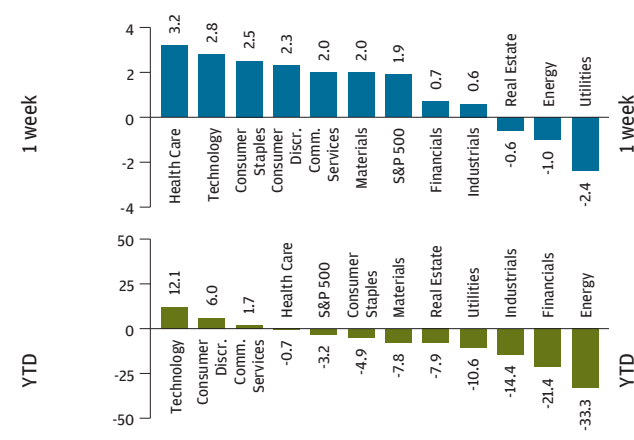


STYLE RETURNS

	V	B	G
L	0.5	1.9	3.1
M	0.4	1.8	3.7
S	0.4	2.3	3.7

	V	B	G
L	-15.2	-3.2	8.7
M	-17.4	-8.8	4.2
S	-24.5	-14.4	-4.7

S&P 500 SECTOR RETURNS



Please see important disclosure on next page.

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Chart of the Week: Source: Federal Reserve Bank of New York, Research Statistics Group, J.P. Morgan Asset Management. CET1 capital ratio represents a bank's core capital and includes ordinary shares, retained earnings, stock surpluses from the issue of common shares and common shares held by the subsidiaries of the company. It is a measure of a bank's core equity capital compared with its risk-weights assets and signifies a bank's financial strength. Data are as of June 17, 2020.

Thought of the week: Source: Federal Reserve Bank of New York, Research Statistics Group, J.P. Morgan Asset Management. CET1 capital ratio represents a bank's core capital and includes ordinary shares, retained earnings, stock surpluses from the issue of common shares and common shares held by the subsidiaries of the company. It is a measure of a bank's core equity capital compared with its risk-weights assets and signifies a bank's financial strength. Data are as of June 17, 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 June 22, 2020 or as of most recently available.

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