



JPMORGAN ASSET MANAGEMENT

Weekly Market Recap

May 25, 2020

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MARKET INSIGHTS

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The week in review

- Initial jobless claims at 2.44M
- Flash Marit mfg./srvs. PMI at 39.8/36.9
- Housing starts fell to 891K
- Existing home sales at 4.33M

The week ahead

- Consumer confidence
- New/existing home sales
- Personal consumption

Thought of the week

While many states have begun the reopening process, sweeping lockdowns have reduced tax revenues, putting some in a difficult position as they attempt to balance their budgets. Preliminary estimates across roughly 30 states show average expected revenue declines of -15% and -25% in FY20 and FY21 relative to last year, respectively. According to the BEA, state and local government receipts excluding federal aid in 2019 were \$2.1trn, suggesting the revenue shortfall over the next two years could reach -\$530bn, dwarfing the -\$87bn loss in 2009. Clearly, the initial \$150bn allocated in the CARES Act will not be enough to meet the expected gap, suggesting further support is necessary to avoid significant budget cuts and layoffs. For municipal bond investors, top-rated fiscally conservative states are better suited to weather the storm given larger rainy day funds and more substantial fiscal support. Across revenue bonds, essential service utilities like water and sewer should hold up well, while lower quality issues tied to sales tax, use taxes (hotels, rental cars) and tourism will come under pressure given the impact on underlying revenue streams. At the sector level, higher education, transportation and health care seem likely to struggle as well. However, given our expectation of higher tax rates, municipal bonds will look increasingly attractive. That said, given the revenue outlook, security selection remains of the utmost importance.

WEEKLY DATA CENTER

Equities	Level	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
S&P 500	2955	3.27	14.71	-7.77	5.58	31.05
Dow Jones 30	24465	3.43	12.08	-13.40	-2.68	25.67
Russell 2000	3369	7.87	17.76	-18.29	-10.15	2.63
Russell 1000 Growth	1200	3.15	19.92	3.01	19.47	59.76
Russell 1000 Value	664.08	4.09	10.19	-19.27	-9.40	3.59
MSCI EAFE	1642	3.03	5.84	-18.20	-9.02	-4.62
MSCI EM	905.25	0.49	6.97	-18.24	-6.53	-1.92
NASDAQ	9325	3.48	21.28	4.36	21.58	56.96

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	1.39	0.35	2.02	5.23	10.49	16.10
U.S. Corporates	2.55	1.52	6.12	2.26	10.50	17.89
Municipals (10yr)	1.46	1.12	1.98	1.58	4.77	12.95
High Yield	7.71	2.60	7.18	-6.41	-1.21	7.77

Key Rates	Levels (%)					
	5/22/20	5/15/20	3/31/20	12/31/19	5/22/19	5/22/17
2-yr U.S. Treasuries	0.17	0.16	0.23	1.58	2.23	1.29
10-yr U.S. Treasuries	0.66	0.64	0.70	1.92	2.39	2.25
30-yr U.S. Treasuries	1.37	1.32	1.35	2.39	2.82	2.91
10-yr German Bund	-0.49	-0.54	-0.49	-0.19	-0.06	0.40
3-mo. LIBOR	0.37	0.38	1.45	1.91	2.52	1.19
3-mo. EURIBOR	-0.28	-0.27	-0.36	-0.38	-0.31	-0.33
6-mo. CD rate	0.40	0.43	0.49	0.79	0.86	0.39
30-yr fixed mortgage	3.41	3.41	3.47	3.95	4.33	4.17
Prime Rate	3.25	3.25	3.25	4.75	5.50	4.00

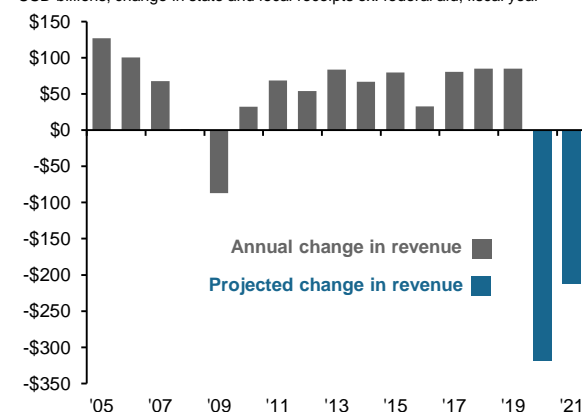
Index Characteristics			
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
21.08	3.26	1.97	52.76
19.82	3.76	2.60	255.00
46.71	1.82	1.64	1.05
26.62	7.85	1.09	40.54
17.30	1.83	3.08	20.75
16.08	1.43	2.99	17.56
13.03	1.49	2.85	13.21
31.20	4.77	0.94	5.79

Currencies	Levels		
	5/22/20	12/31/19	5/22/19
\$ per €	1.09	1.12	1.12
\$ per £	1.22	1.32	1.27
¥ per \$	107.47	108.68	110.32

Commodities	Levels		
	5/22/20	12/31/19	5/22/19
Oil (WTI)	33.56	61.14	61.42
Gasoline	1.88	2.57	2.85
Natural Gas	1.75	2.09	2.73
Gold	1734	1515	1274
Silver	17.00	18.05	14.44
Copper	5243	6156	5920
Corn	2.96	3.77	3.67
BBG Idx	133.84	172.00	165.94

CHART OF THE WEEK

State & local revenues to come under pressure
USD billions, change in state and local receipts ex. federal aid, fiscal year*

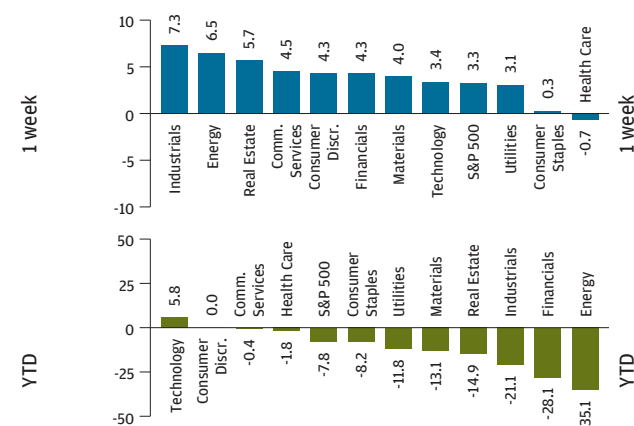


STYLE RETURNS

	V	B	G
L	4.1	3.3	3.2
M	6.1	5.3	4.4
S	9.1	7.9	7.0

	V	B	G
L	-19.3	-7.8	3.0
M	-22.8	-14.4	-1.8
S	-28.7	-18.3	-8.3

S&P 500 SECTOR RETURNS



Please see important disclosure on next page.

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Chart of the Week: Source: Bureau of Economic Analysis (BEA), Center on Budget and Policy Priorities, J.P. Morgan Asset Management. Fiscal year 2020 and 2021 projections are based on preliminary budget estimates from 30 state finance offices. *Fiscal year end for the majority of state and local governments is June 30. Data are as of May 22, 2020.

Thought of the week: Source: Bureau of Economic Analysis (BEA), Center on Budget and Policy Priorities, J.P. Morgan Asset Management. Fiscal year 2020 and 2021 projections are based on preliminary budget estimates from 30 state finance offices. *Fiscal year end for the majority of state and local governments is June 30. Data are as of May 22, 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).

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 25, 2020 or as of most recently available.

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