



Bird's Eye View for Q2 2023

1 Q1 2023 performance review

2 Risks and opportunities

3 Looking ahead

**ANNOTATED
CHARTS**



Investment performance as of March 31, 2023

In the first quarter of 2023, the S&P 500 Index was up 7.5%, and growth stocks dramatically outperformed value stocks.

The developed international markets also did well and are the best-performing equity market over the last 12 months.


The bond market saw a continued rise in the Fed Funds rate. The 2-year and 10-year Treasury rates dropped in a flight-to-quality response to bank failures. This provided a relief rally to both the Barclays Aggregate and Muni bond indexes.

Stock returns		Trailing 1 Yr	Q1 2023
U.S.			
Large-Cap	S&P 500	-7.8%	7.5%
Growth	Russell 3000 Growth	-10.9%	13.8%
Value	Russell 3000 Value	-6.4%	0.9%
Small-Cap	S&P 600	-8.9%	2.5%
International			
International Developed	MSCI Europe Australasia & Far East	-0.8%	8.6%
Emerging Market	MSCI Emerging Markets	-10.4%	4.0%

Interest rates		31-Mar-2023	31-Dec-22
Federal Funds	Upper Target	5.00%	4.50%
Prime		7.50%	7.50%
2-Year Treasury		4.03%	4.43%
10-Year Treasury		3.47%	3.88%
30-Year Fixed Mortgage		6.75%	6.66%
Bond returns		Trailing 1 Yr	Q1 2023
Taxable	Bloomberg Barclays Aggregate	-4.8%	3.0%
Municipal	Bloomberg Municipal Bond	0.3%	2.8%

Source: Bloomberg; YTD returns, and Trailing-Year returns as of 3/31/2023

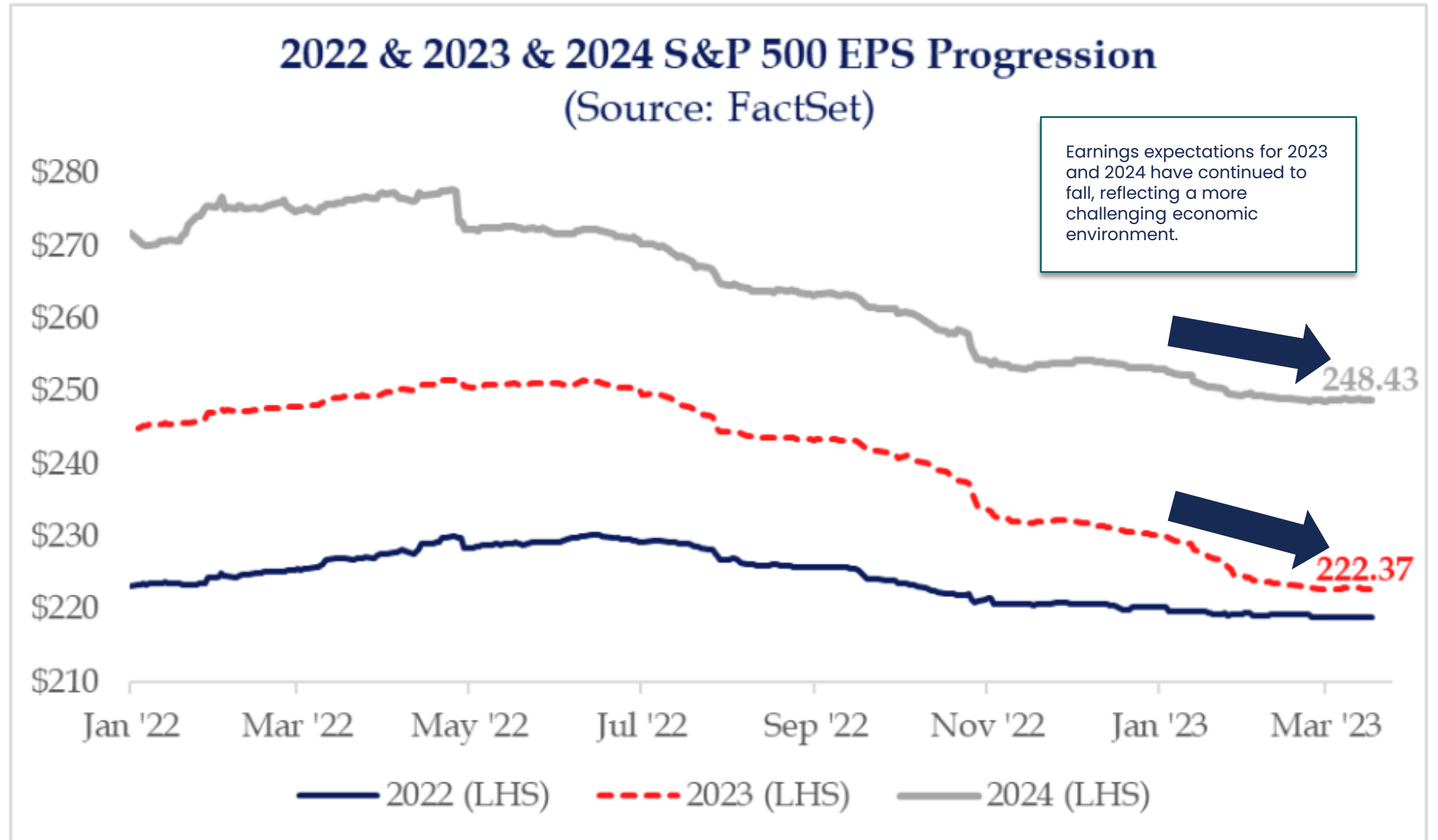
Sector performance

S&P 500 Index	+7.03%	
Communication Services XLC	+20.80%	
Consumer Discretionary XLY	+15.78%	
Consumer Staples XLP	+0.21%	
Energy XLE	-5.30%	
Financials XLF	-5.99%	
Health Care XLV	-4.70%	
Industrials XLI	+3.02%	
Materials XLB	+3.84%	
Real Estate XLRE	+1.22%	
Technology XLK	+21.35%	
Utilities XLU	-3.99%	

Among sectors within the S&P 500 Index, communication services and technology dramatically outperformed more cyclical areas—like energy—and even more stable areas such as health care and energy, which lost ground during the quarter.

Source: State Street Global Advisors, March 31, 2023

S&P 500 earnings estimates continue to fall

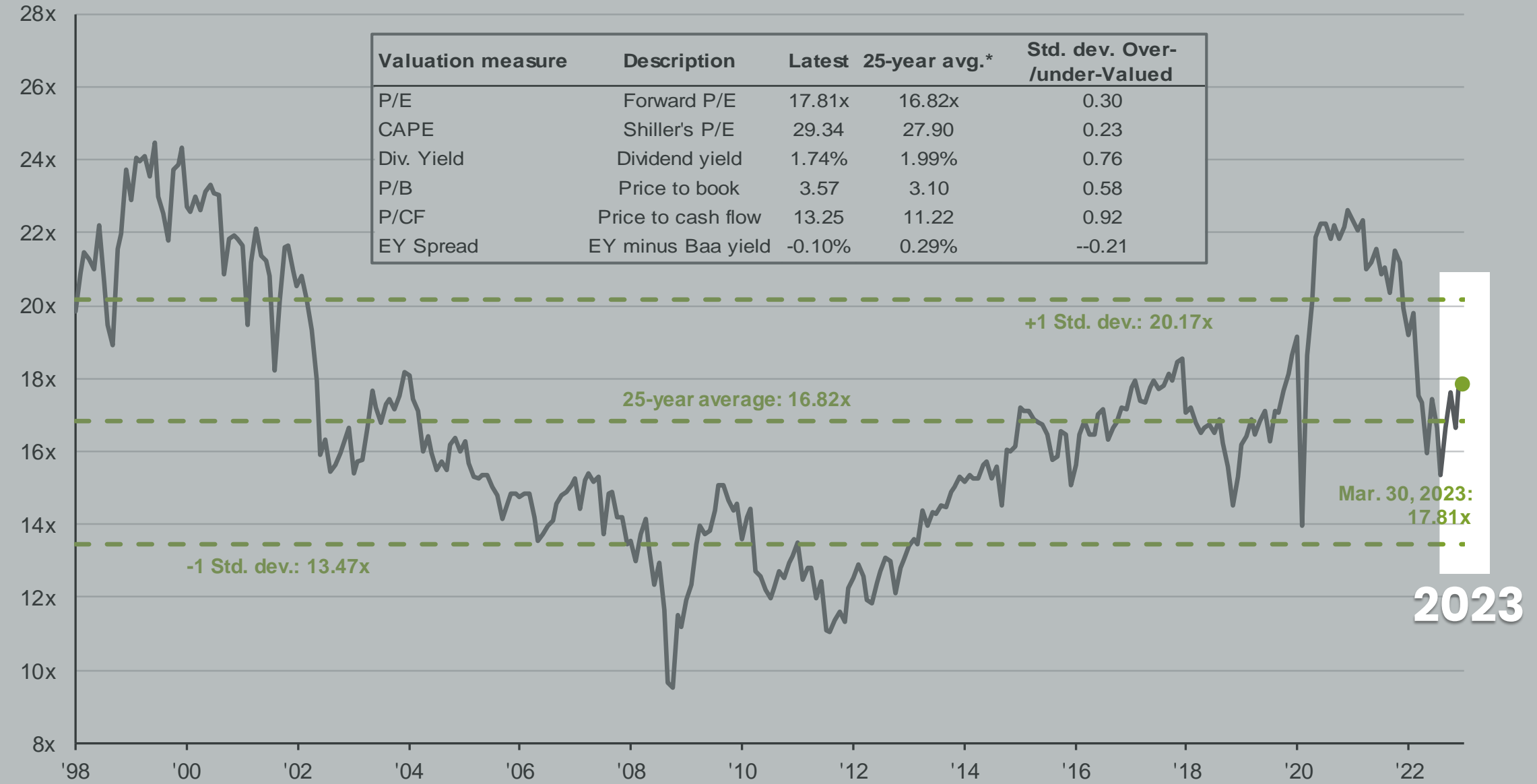


Source: Strategas, March 17, 2023

US stock valuations have increased

Because earnings expectations have fallen, the S&P 500 Index is now trading HIGHER than its long-term average valuation.

S&P 500 Index: Forward P/E ratio

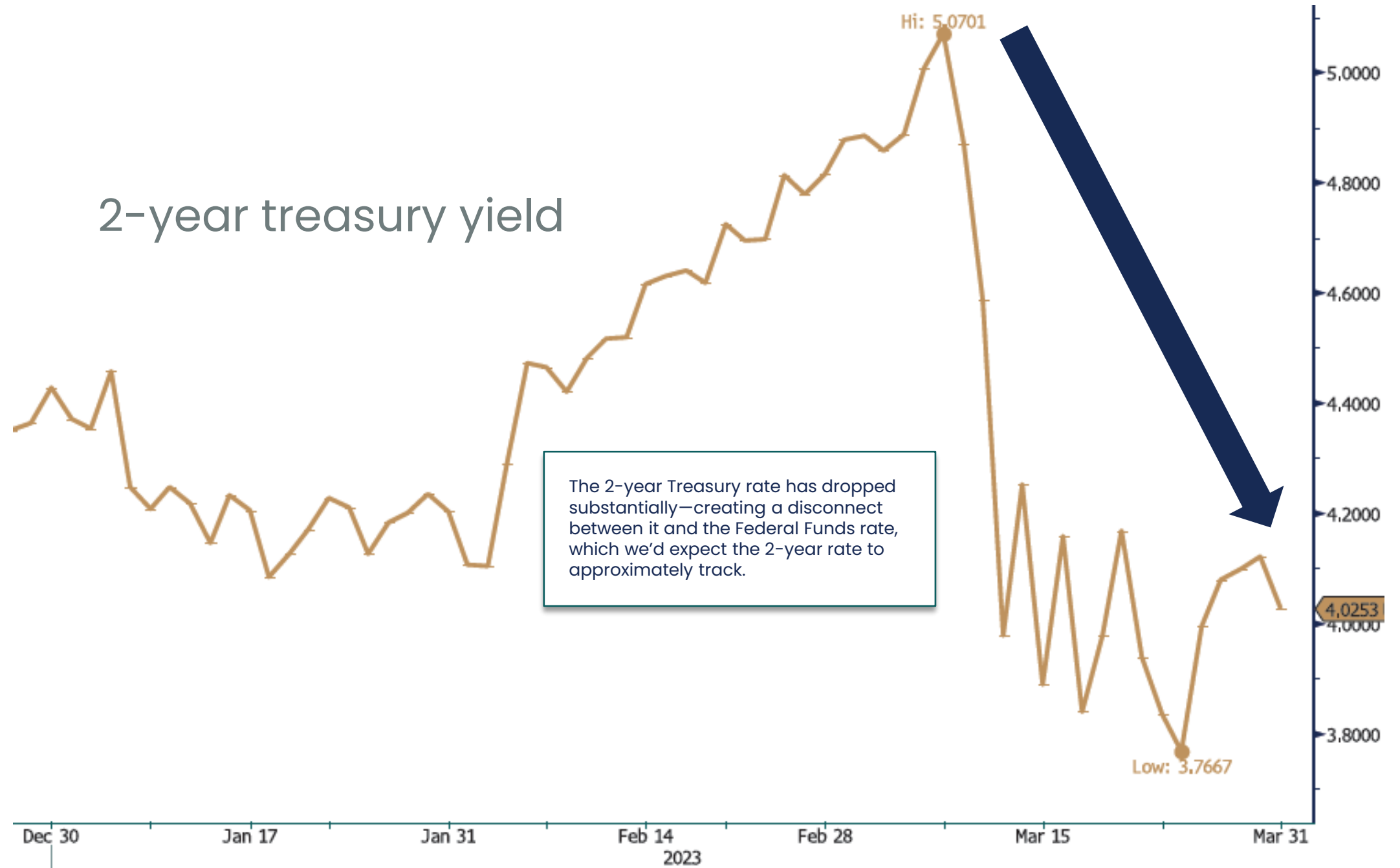


Source: Strategas, March 30, 2023

Historical perspective on valuation correction process



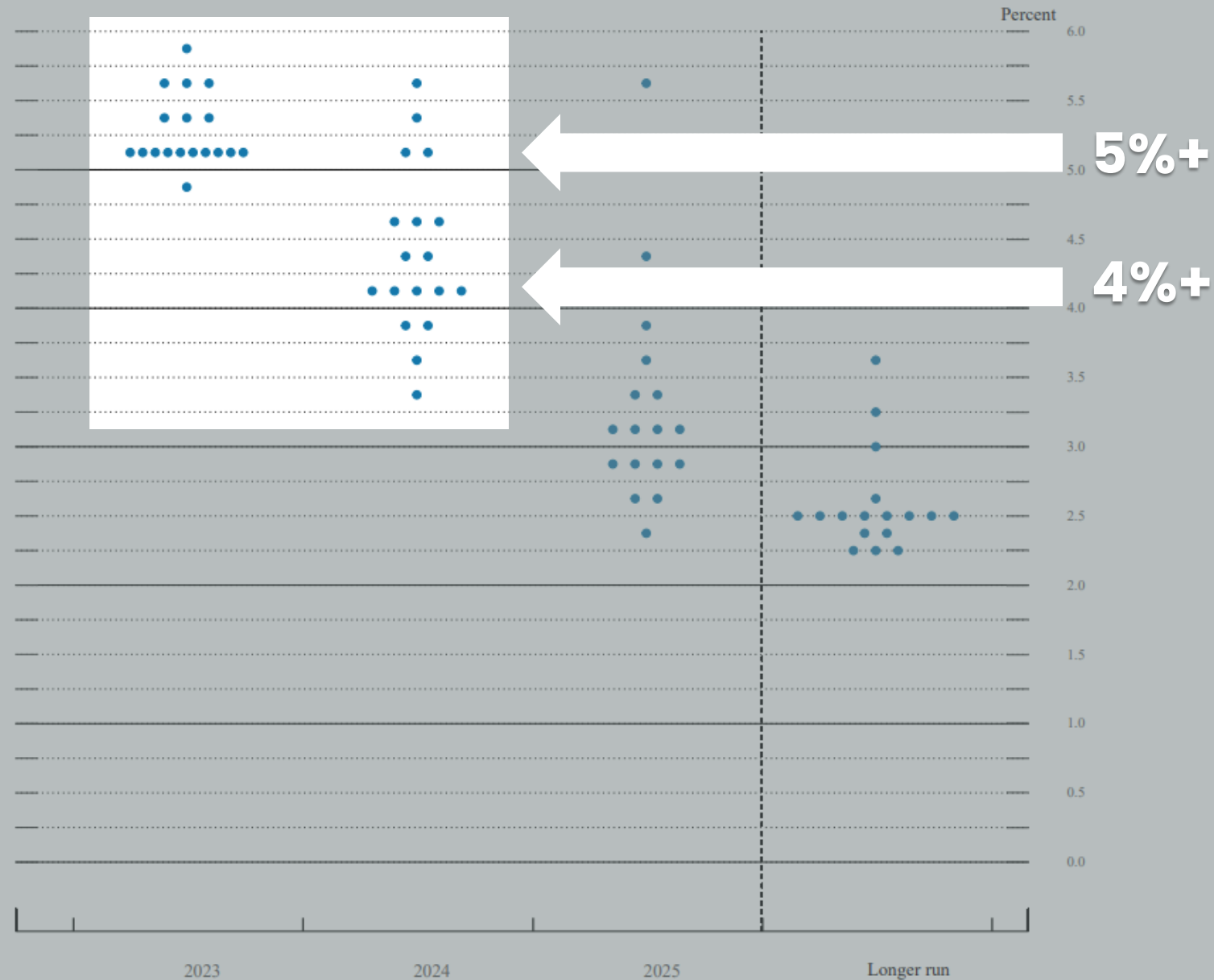
Interest rates fall drastically on banking fears



Source: Bloomberg; YTD returns, and Trailing-Year returns as of 3/31/2023

Disconnect with Federal Reserve's interest rate outlook

Figure 2. FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate



Expectations grouped high for 2023 and 2024

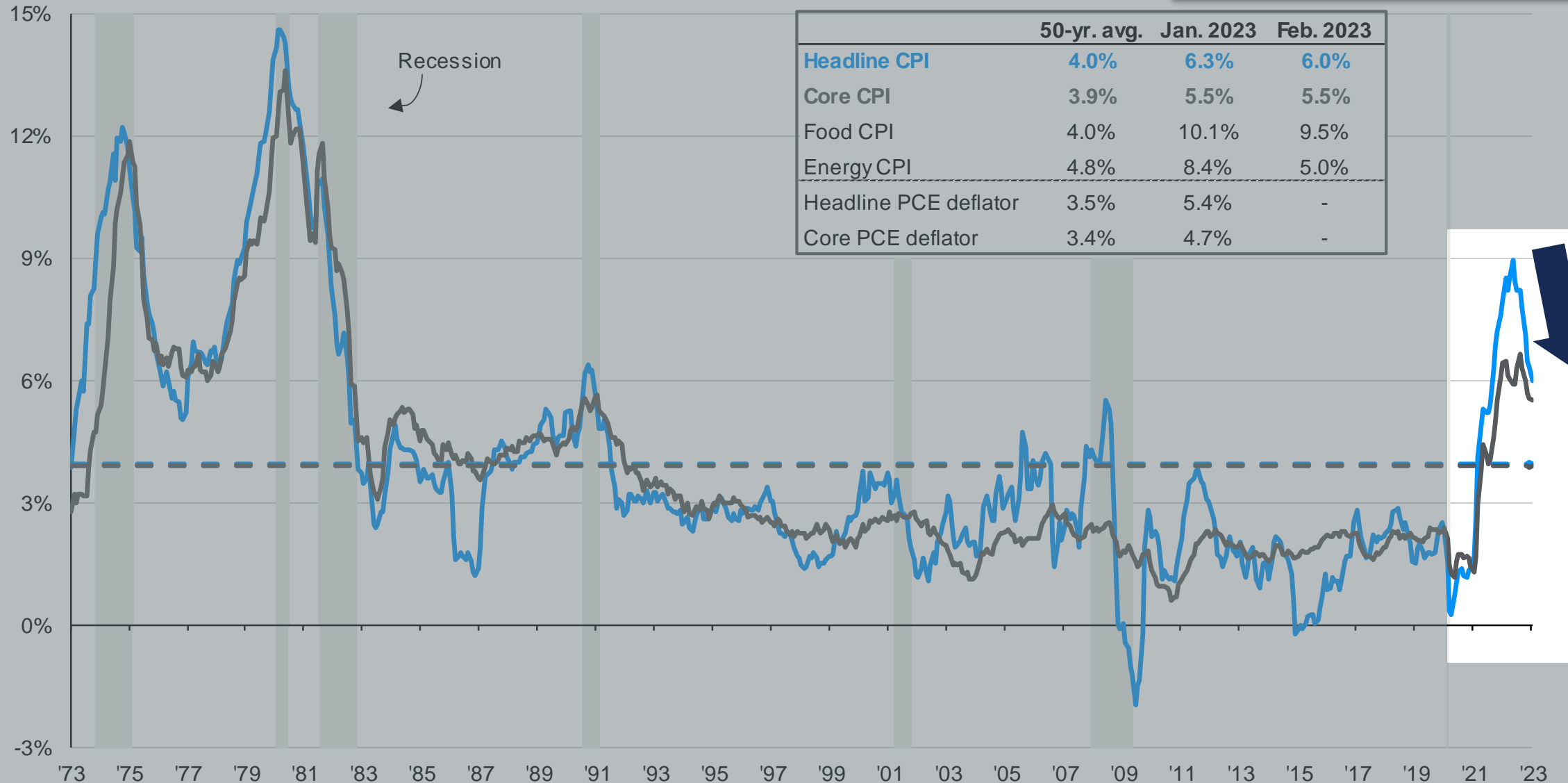
Even the Federal Reserve's short-term interest rates to move higher. This dot plot shows the Fed's own rate-level estimates for this and upcoming years. Rate estimates are relatively high as the Fed plans to continue fighting inflation.

Expect continued improvement in inflation

Inflation is off its highest level. While goods inflation has dissipated, inflation related to services and rents has stayed relatively high—as the bright spot in the economy, the labor market, has continued to show strength.

CPI and core CPI

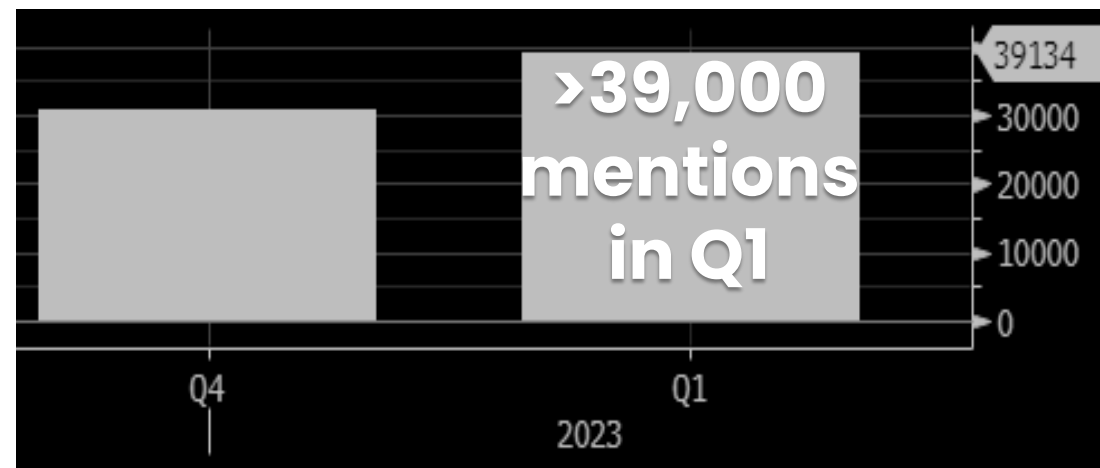
% change vs. prior year, seasonally adjusted



Source: BLS, FactSet, J.P. Morgan Asset Management. CPI used is CPI-U and values shown are % change vs. one year ago. Core CPI is defined as CPI excluding food and energy prices. The Personal Consumption Expenditure (PCE) deflator employs an evolving chain-weighted basket of consumer expenditures instead of the fixed-weight basket used in CPI calculations. Guide to the Markets – U.S. Data are as of March 30, 2023.

Unemployment continues to be low ... but layoff announcements are increasing

“Layoff” mentioned 39,000 times in company filings



As we said on the prior page, the labor market has been an economic bright spot. However, now even the labor market is starting to show cracks. The chart on the left shows the high prevalence of layoff mentions in recent corporate filings. The chart on the right shows not only tech companies but also industrial and financial companies making significant job cuts.

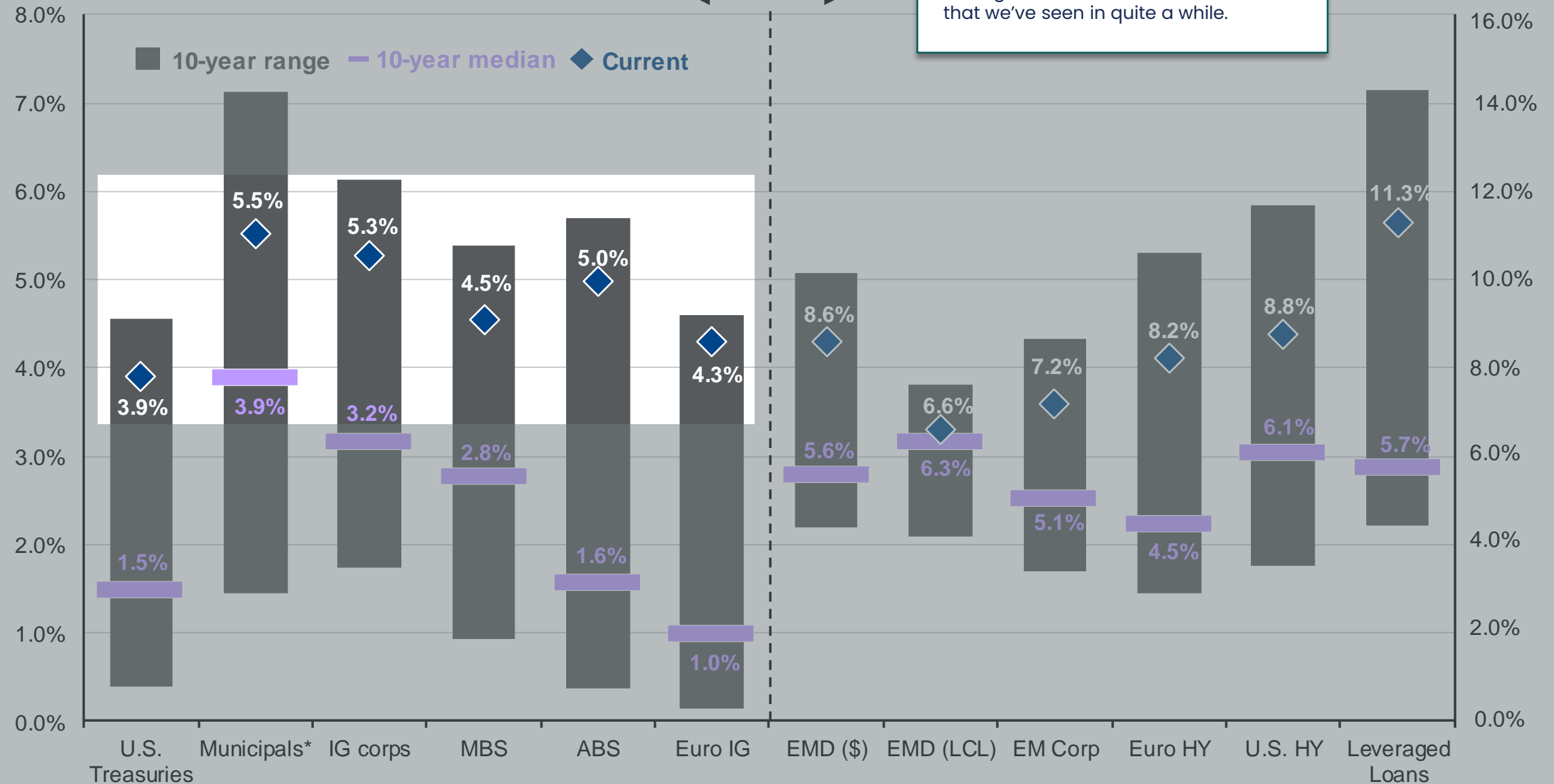
Layoff announcements

Company	Sector	Estimated # Jobs Eliminated	Approximate % Workforce Reduction
Alphabet (Google)	Communications	12,000	6%
Amazon	Consumer	28,000	2%
Dell	Technology	6,600	5%
Disney	Consumer	7,000	3%
DocuSign	Technology	700	10%
Electronic Arts	Technology	780	6%
Meta (Facebook)	Communications	10,000	12%
Microsoft	Technology	10,000	5%
News Corp	Communications	1,250	5%
Salesforce	Technology	7,900	10%
SAP	Technology	3,000	2%
Spotify	Communications	500	6%
Yahoo!	Communications	1,000	20%
Zoom Video Communications	Communications	1,300	15%
Accenture	Technology	19,000	2.5%
Blackrock	Financial Services	500	3%
Goldman Sachs	Financial Services	3,200	8%
FedEx	Industrial	55,000	10%
Ford	Industrial	3,800	1.7%
Lucid	Industrial	1,300	18%

Opportunities in bonds

Yield-to-worst across fixed income sectors

Percent, past 10 years



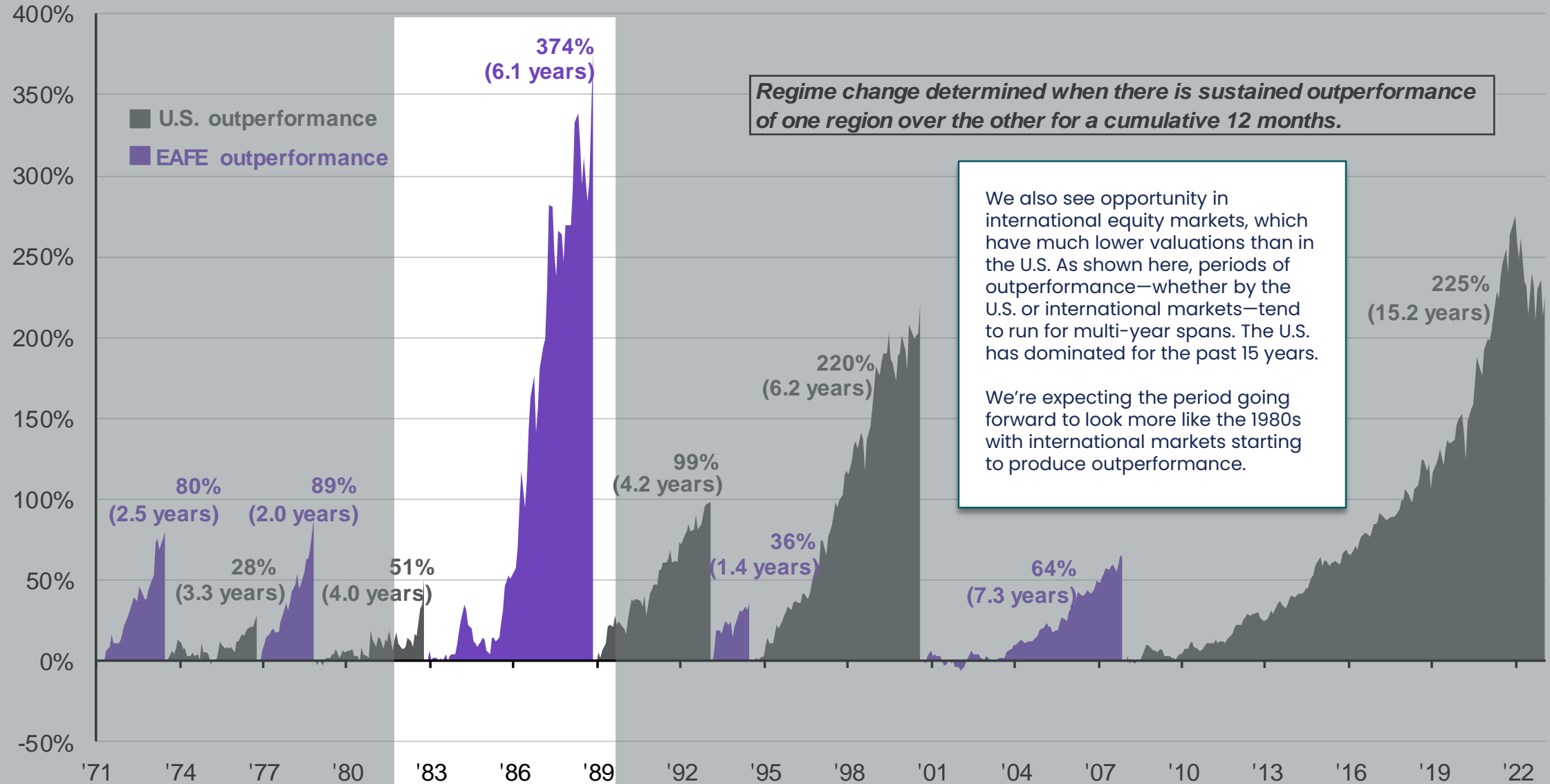
Where do we see opportunities? First, in bonds. Bond yields are at the highest level we've seen in a decade. As we look to navigate economic uncertainty and falling earnings growth, we have the highest return on safe investments that we've seen in quite a while.

Source Source: Bloomberg, FactSet, J.P. Morgan Credit Research, J.P. Morgan Asset Management. Indices used are Bloomberg except for emerging market debt and leveraged loans: EMD (\$): J.P. Morgan EMIGLOBAL Diversified Index; EMD (LCL): J.P. Morgan GBI-EM Global Diversified Index; EM Corp.: J.P. Morgan CEMBI Broad Diversified; Leveraged loans: JPM Leveraged Loan Index; Euro IG: Bloomberg Euro Aggregate Corporate Index; Euro HY: Bloomberg Pan-European High Yield Index. Yield-to-worst is the lowest possible yield that can be received on a bond apart from the company defaulting. All sectors shown are yield-to-worst except for Municipals, which is based on the tax-equivalent yield-to-worst assuming a top-income tax bracket rate of 37% plus a Medicare tax rate of 3.8%. Guide to the Markets – U.S. Data are as of March 30, 2023.

Cycles of international vs. domestic equity performance

MSCI EAFE and MSCI USA relative performance

U.S. dollar, total return, cumulative outperformance*



Source: FactSet, MSCI, J.P. Morgan Asset Management.
*Cycles of outperformance include a qualitative component to determine turning points in leadership.
Guide to the Markets – U.S.
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