

MARKET INSIGHTS

Weekly Market Recap

U.S. | June 5, 2017

The week in review

- Personal income up +0.4% m/m
- PCE headline +1.7% y/y / core +1.5% y/y
- Case-Shiller HPI up +0.9% m/m
- Consumer confidence eased to 117.9
- Pending home sales fell -1.3% m/m
- Payroll jobs rose 138k
- Unemployment rate fell to 4.3%
- Markit Mfg. PMI fell to 52.7
- ISM Mfg. PMI rose to 54.9
- Trade deficit fell to -47.6b

The week ahead

- Markit & ISM Services PMIs
- Productivity and Unit labor costs
- Factory orders
- Job openings & jobless claims

Thought of the week

Despite strength in consumer confidence, U.S. economic data, as measured by the Citi Surprise Index, has continued to come in below expectations. While slow real GDP growth for the first quarter (recently revised to 1.2% annualized) was thought to be a transitory event, it has since been followed by weaker-than-expected economic data early in the second quarter. Weaker data, combined with high U.S. equity valuations, suggest that a more thoughtful approach for equity investing may be warranted. While it is true that when compared to fixed income, U.S. equities are still relatively attractive, it is worth noting that there are still compelling equity stories away from home. As shown in this week's chart, European economic data has been outperforming, both relative to expectations and relative to the U.S. Stronger European data, coupled with more attractive equity valuations and optimistic earnings expectations, make for a convincing equity opportunity in Europe. Given the current environment for U.S. equities - and economic data - it is increasingly important for investors to be positioned correctly; this means being diversified both globally and across asset classes.

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	2439	1.01	3.62	9.91	18.31	35.01
Dow Jones 30	21206	0.69	3.17	8.52	21.94	36.58
Russell 2000	3493	1.71	1.59	4.09	21.78	29.86
Russell 1000 Growth	802.96	1.59	6.53	16.02	21.42	42.20
Russell 1000 Value	699.86	0.49	0.60	3.88	15.13	25.83
MSCI EAFE	1916	1.74	8.05	16.03	19.68	7.43
MSCI EM	1015	-0.12	6.32	18.53	28.83	6.95
NASDAQ	6306	1.55	6.90	17.72	28.34	54.23

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	2.46	0.49	1.74	2.57	1.66	8.35
U.S. Corporates	3.14	0.69	2.55	3.80	4.41	11.81
Municipals (10yr)	2.06	0.48	2.90	4.73	1.81	11.59
High Yield	5.96	0.31	2.25	5.01	13.92	15.04

Key Rates	Levels (%)					
	6/2/17	5/26/17	3/31/17	12/30/16	6/2/16	6/2/14
2-yr U.S. Treasuries	1.28	1.30	1.27	1.20	0.89	0.39
10-yr U.S. Treasuries	2.15	2.25	2.40	2.45	1.81	2.54
30-yr U.S. Treasuries	2.80	2.92	3.02	3.06	2.58	3.38
10-yr German Bund	0.27	0.33	0.33	0.20	0.11	1.37
3-mo. LIBOR	1.22	1.20	1.15	1.00	0.68	0.23
3-mo. EURIBOR	-0.33	-0.33	-0.33	-0.32	-0.26	0.31
6-mo. CD rate	0.40	0.39	0.38	0.34	0.33	0.36
30-yr fixed mortgage	4.17	4.17	4.34	4.39	3.85	4.26
Prime Rate	4.00	4.00	4.00	3.75	3.50	3.25

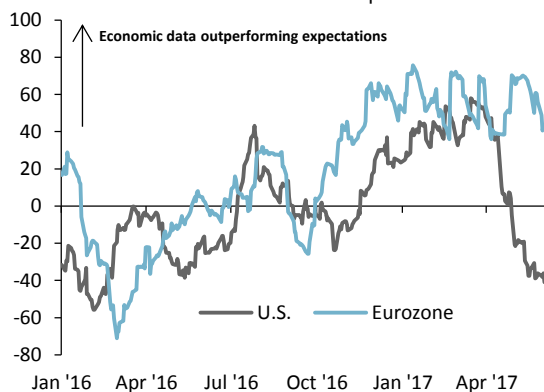
Index Characteristics			
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
17.72	3.03	1.98	45.09
16.78	3.58	2.25	N/A
24.02	2.12	1.51	1.24
20.28	5.75	1.60	23.23
15.90	2.00	2.65	28.67
15.14	1.64	3.03	20.24
12.19	1.57	2.39	13.51
22.97	3.78	1.04	4.30

Currencies	Levels		
	6/2/17	12/30/16	6/2/16
\$ per €	1.13	1.05	1.12
\$ per £	1.29	1.24	1.44
¥ per \$	110.45	116.64	108.57

Commodities	Levels		
	6/2/17	12/30/16	6/2/16
Oil (WTI)	47.62	53.75	49.14
Gasoline	2.41	2.31	2.34
Natural Gas	2.84	3.71	2.30
Gold	1275	1146	1212
Silver	17.19	16.24	15.98
Copper	5560	5501	4600
Corn	3.49	3.33	4.03
BBG Idx	166.95	176.94	174.94

CHART OF THE WEEK

U.S. economic data are showing weakness
U.S. and Eurozone Citi Economic Surprise Indices

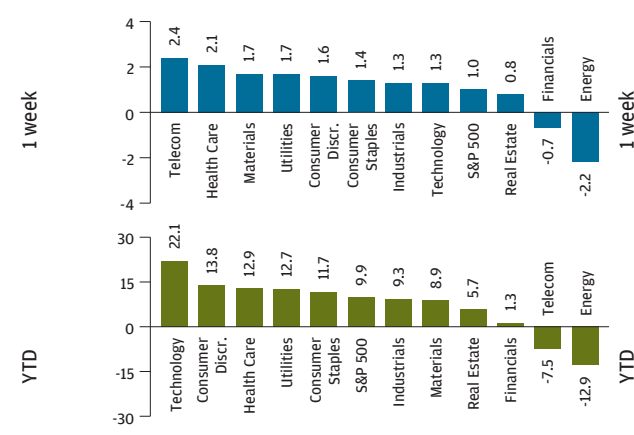


STYLE RETURNS

	V	B	G
L	0.5	1.0	1.6
M	0.9	1.2	1.6
S	1.2	1.7	2.2

	V	B	G
L	3.9	9.9	16.0
M	4.8	8.4	12.9
S	-0.7	4.1	9.4

S&P 500 SECTOR RETURNS



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Chart of the Week: Source: Citigroup, FactSet, J.P. Morgan Asset Management. This chart shows the Citi Economic Surprise Indices for the U.S. and Eurozone, which track how economic data is doing relative to expectations.

Thought of the week: Source: Citigroup, FactSet, J.P. Morgan Asset Management.

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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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 June 5, 2017 or as of most recently available.