

MARKET INSIGHTS

Weekly Market Recap

U.S. | February 27, 2017

The week in review

- Flash Mfg. PMI fell to 54.3
- Flash Svc. PMI fell to 53.9
- Existing home sales up to 5.69m
- FHFA home prices increased 0.4% m/m
- New home sales up to 555k
- Consumer sentiment up to 96.3

The week ahead

- Durable goods & Light vehicle sales
- Pending home sales
- S&P Case/Shiller HPI
- Consumer confidence
- Markit & ISM: Mfg & Svc. PMI
- 2nd estimate of 4Q16 GDP

Thought of the week

Frequent reports of equity market highs make some investors nervous about frothy markets. However, as shown in the chart, clustered all-time highs for equities are a normal part of bull markets. With valuations above long-term averages, it is increasingly important to evaluate the drivers of this equity market rally with a critical eye. Both sentiment and improving fundamentals have contributed to the recent run-up in equities. First, the expectation of business-friendly policies coming from the new administration sparked animal spirits in the market last November. Second, Federal Reserve policy remains accommodative, and the market gauges a rate increase at the next meeting in March as rather unlikely. Finally, the fourth quarter earnings season is coming to an end, and data shows that the earnings recession is well behind us. New policy specifics remain uncertain, so the timing and detail of policy implementation could cause market volatility if political expectations exceed reality. However, strong earnings and sales growth suggest that the fundamentals underpinning the equity market remain intact. New highs in the market tend to cluster together in a bull market, as shown in this week's chart, and we expect to see more record highs throughout the year if the economy continues to expand.

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	2367	0.73	6.09	6.09	25.36	36.53
Dow Jones 30	20822	0.99	5.81	5.81	29.66	38.47
Russell 2000	3466	-0.36	2.89	2.89	38.49	23.85
Russell 1000 Growth	750.09	0.73	7.92	7.92	22.81	36.36
Russell 1000 Value	707.93	0.60	4.40	4.40	29.67	33.44
MSCI EAFE	1751	-0.13	4.23	4.23	18.19	-0.36
MSCI EM	943.52	0.51	9.54	9.54	31.62	6.96
NASDAQ	5845	0.13	8.78	8.78	30.26	41.14

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	2.52	0.62	1.06	1.06	1.67	8.91
U.S. Corporates	3.24	0.84	1.57	1.57	6.93	12.67
Municipals (10yr)	2.47	0.60	1.36	1.36	-0.53	11.37
High Yield	6.03	0.52	2.73	2.73	23.89	15.24

Key Rates	Levels (%)					
	2/24/17	2/17/17	12/30/16	12/30/16	2/24/16	2/24/14
2-yr U.S. Treasuries	1.12	1.21	1.20	1.20	0.75	0.35
10-yr U.S. Treasuries	2.31	2.42	2.45	2.45	1.75	2.75
30-yr U.S. Treasuries	2.95	3.03	3.06	3.06	2.61	3.70
10-yr German Bund	0.19	0.30	0.20	0.20	0.16	1.68
3-mo. LIBOR	1.05	1.05	1.00	1.00	0.63	0.23
3-mo. EURIBOR	-0.33	-0.33	-0.32	-0.32	-0.20	0.29
6-mo. CD rate	0.34	0.36	0.34	0.34	0.34	0.40
30-yr fixed mortgage	4.36	4.36	4.39	4.39	3.85	4.53
Prime Rate	3.75	3.75	3.75	3.75	3.50	3.25

Index Characteristics	Levels			
	NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
	17.73	3.05	2.02	43.50
	17.07	3.59	2.12	N/A
	24.02	2.15	1.51	1.20
	19.60	5.77	1.60	23.22
	16.64	2.04	2.65	26.85
	14.69	1.63	3.13	18.35
	12.27	1.57	2.52	12.79
	21.82	3.70	0.92	3.96

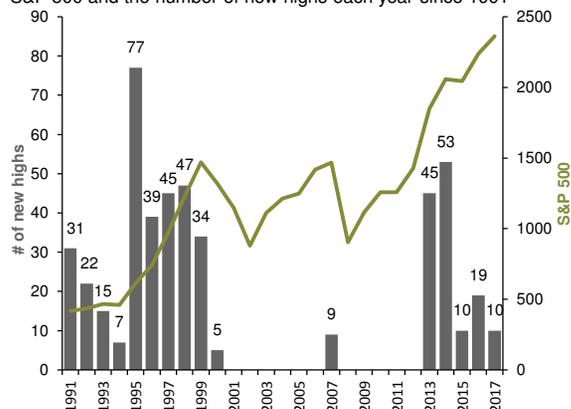
Currencies	Levels		
	2/24/17	12/30/16	2/24/16
\$ per €	1.06	1.05	1.10
\$ per £	1.25	1.24	1.39
¥ per \$	112.35	116.64	111.18

Commodities	Levels		
	2/24/17	12/30/16	2/24/16
Oil (WTI)	53.97	53.75	30.35
Gasoline	2.30	2.31	1.73
Natural Gas	2.49	3.71	1.85
Gold	1254	1146	1251
Silver	18.27	16.24	15.32
Copper	5881	5501	4586
Corn	3.46	3.33	3.50
BBG Idx	177.02	176.94	152.77

CHART OF THE WEEK

Are new highs in the market something to be excited about?

S&P 500 and the number of new highs each year since 1991

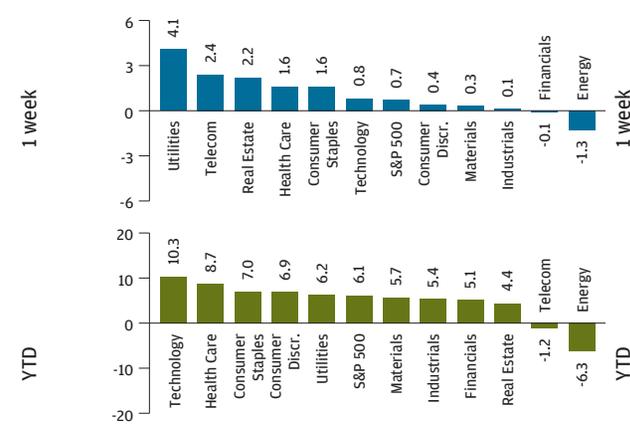


STYLE RETURNS

	V	B	G
L	0.6	0.7	0.7
M	0.3	0.3	0.3
S	-0.3	-0.4	-0.5

	V	B	G
L	4.4	6.1	7.9
M	4.6	5.5	6.7
S	1.5	2.9	4.5

S&P 500 SECTOR RETURNS



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Chart of the Week: Source: Standard & Poor's, FactSet, J.P. Morgan Asset Management.

Thought of the week: Source: Standard & Poor's, 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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Unless otherwise stated, all data is as of February 27, 2017 or as of most recently available.