

Weekly Market Recap

The week in review

- Initial claims increased to 286.0K
- Existing home sales decreased to 6,180K
- Housing starts increased 1.4% m/m

The week ahead

- Manufacturing & services PMIs
- FOMC meeting
- 4Q21 Real GDP
- PCE deflator

Thought of the week

With 14.4% of market cap reporting, our current estimate for 4Q21 S&P 500 operating earnings per share (EPS) is \$51.31 (\$42.61 ex-financials). If realized, this would represent y/y growth of 34.4%. On a sequential basis, however, we are tracking a decline of 1.4%, as the rapid spread of Omicron, disrupted supply chains, higher input costs and a stronger dollar all weighed on profits. At the sector level, financials are in line to see earnings contract 24.5% versus 4Q20 due to massive reserve releases this time last year, the normalization of trading and mortgage activity and subdued loan growth. There has also been an uptick in noninterest expenses due to higher wages, which has pressured profit margins. Meanwhile, soaring oil and natural gas prices and economic growth in 4Q should support results in the energy, materials and industrial sectors, which are currently tracking y/y earnings growth of 231.5%, 59.8% and 169.9%, respectively. Industrials are set to see a q/q decline in earnings, however, as supply shortages and the delayed recovery in air travel weighed on performance. Moving to growth, tech is set for another strong quarter of earnings, with software-based businesses continuing to drive profits. Profits in the consumer discretionary sector will likely see a second consecutive quarter of an earnings contraction, as mixed consumer spending data, supply shortages and higher commodity and freight costs hurt the sector's profitability. According to the BEA, real consumer spending increased +0.7% m/m in October but remained flat in November. Furthermore, labor shortages induced by increasing COVID-19 cases in southeast and east Asia have led to factories falling short of production. We are currently tracking a y/y and q/q EPS decline of 0.8% and 16.1%, respectively, for the sector. As the earnings season unfolds, the focus will be on companies' ability to defend profit margins against a backdrop of higher wages and supply constraints.

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	4398	-5.67	-7.66	-7.66	15.76	73.50
Dow Jones 30	34265	-4.55	-5.63	-5.63	11.96	48.06
Russell 2000	4940	-8.07	-11.44	-11.44	-6.24	39.23
Russell 1000 Growth	1784	-6.99	-12.25	-12.25	9.00	97.52
Russell 1000 Value	984.27	-4.57	-3.64	-3.64	16.93	47.05
MSCI EAFE	2284	-2.08	-2.19	-2.19	6.20	38.26
MSCI EM	1244	-1.04	1.03	1.03	-9.29	32.20
NASDAQ	13769	-7.55	-11.98	-11.98	2.42	97.46

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	2.04	0.05	-1.77	-1.77	-2.53	13.05
U.S. Corporates	2.69	-0.13	-2.50	-2.50	-2.32	20.68
Municipals (10yr)	1.34	-0.51	-1.46	-1.46	-0.63	12.42
High Yield	5.23	-0.68	-1.54	-1.54	2.99	22.24

Key Rates	Levels (%)					
	1/21/22	1/14/22	12/31/21	12/31/21	1/21/21	1/18/19
2-yr U.S. Treasuries	1.01	0.99	0.73	0.73	0.13	2.62
10-yr U.S. Treasuries	1.75	1.78	1.52	1.52	1.12	2.79
30-yr U.S. Treasuries	2.07	2.12	1.90	1.90	1.87	3.09
10-yr German Bund	-0.09	-0.06	-0.18	-0.18	-0.49	0.25
3-mo. LIBOR	0.26	0.24	0.21	0.21	0.22	2.76
3-mo. EURIBOR	-0.55	-0.57	-0.57	-0.57	-0.54	-0.31
6-mo. CD rate	0.14	0.14	0.14	0.14	0.19	0.71
30-yr fixed mortgage	3.64	3.64	3.33	3.33	2.92	4.75
Prime Rate	3.25	3.25	3.25	3.25	3.25	5.50

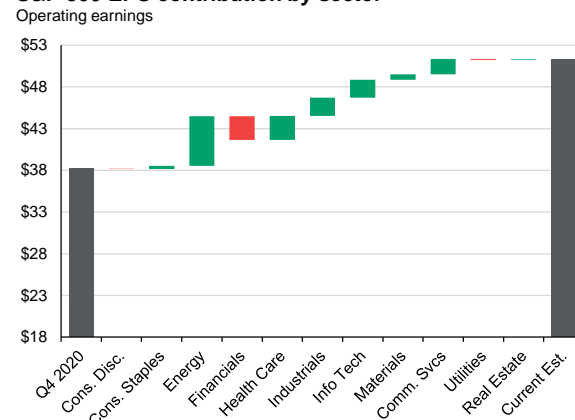
Index Characteristics				
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)	
19.55	4.44	1.33	80.70	
17.82	4.63	1.84	365.40	
20.58	2.20	1.05	1.55	
26.71	12.00	0.71	58.86	
15.45	2.58	1.88	35.50	
14.70	1.83	2.51	27.77	
12.42	1.84	2.38	19.04	
27.68	5.96	0.67	6.93	

Currencies	Levels		
	1/21/22	12/31/21	1/21/21
\$ per €	1.13	1.14	1.22
\$ per £	1.36	1.35	1.37
¥ per \$	113.67	115.16	103.57

Commod.	Levels		
	1/21/22	12/31/21	1/21/21
Oil (WTI)	85.14	75.33	53.00
Gasoline	3.31	3.28	2.38
Natural Gas	4.00	3.82	2.49
Gold	1838	1806	1862
Silver	24.32	23.09	25.87
Copper	9970	9692	8051
Corn	6.06	5.86	5.09
BBG Idx	225.04	211.80	171.41

Chart of the Week

S&P 500 EPS contribution by sector



Style Returns

	V	B	G
L	-4.6	-5.7	-7.0
M	-5.7	-6.1	-6.8
S	-7.3	-8.1	-8.9
L	-3.6	-7.7	-12.2
M	-5.9	-9.4	-15.7
S	-7.0	-11.4	-15.9

S&P 500 Sector Returns

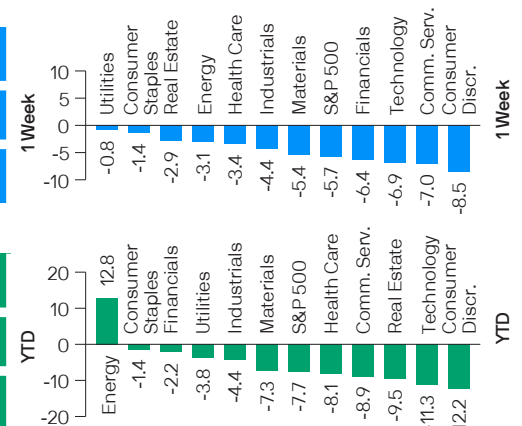




Chart of the Week: Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

Thought of the week: Source: FactSet, Standard & Poor's, 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: Bloomberg US Aggregate; provided by: Bloomberg Capital. Index: Bloomberg Investment Grade Credit; provided by: Bloomberg Capital. Index: Bloomberg Municipal Bond 10 Yr; provided by: Bloomberg Capital. Index: Bloomberg Capital High Yield Index; provided by: Bloomberg 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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