

Weekly Market Recap

The week in review

- Unemployment rate decreased to 3.5%
- Mfg./Services PMI: 46.2/44.7
- Hourly earnings: +0.3% m/m; +4.8% y/y

The week ahead

- CPI
- 4Q22 S&P 500 earnings

Thought of the week

The U.S. labor market was a shining star in 2022 against a dim economic backdrop of tighter financial conditions and recession fears. Although real GDP normally outpaces payroll employment, due to rising labor productivity, payrolls grew more rapidly than real GDP growth in 2022, flipping the script on this dynamic.

Real GDP growth averaged 2.02% per year from 4Q99 to 4Q19, with payroll employment contributing 0.75% and output per job contributing 1.26%. However, after a pandemic-induced collapse in early 2020, fiscal stimulus and reopening allowed GDP to accelerate rapidly in the second half of 2020 and in 2021, while COVID fears, generous unemployment benefits and weak demographics held labor supply in check. As a result, payroll growth slowed relative to GDP growth. From 4Q19 to 4Q21, nonfarm payrolls fell by -0.97% annualized while GDP grew by 2.04% annualized, leading to a sharp surge in productivity among existing workers and a dramatic surge in job openings. As the economy slowed in 2022, *some* of this excess demand for labor was relieved. However, last week's economic reports still showed a very high 1.83 job openings at the end of November for every person unemployed in the second week in December.

While we expect both job openings and job growth to fall in the months ahead, persistent excess demand for labor should result in continued job gains, moderate wage growth and a low unemployment rate well into 2023, helping the U.S. economy avoid a deep recession and, perhaps, avoid a recession altogether.

Please see important disclosures on next page.

Weekly Data Center

| Equities | Level | Index Returns (%) | | | | |
|---------------------|-------|-------------------|------|------|--------|------------|
| | | 1 week | QTD | YTD | 1 year | 3-yr. Cum. |
| S&P 500 | 3895 | 1.47 | 1.47 | 1.47 | -15.68 | 25.99 |
| Dow Jones 30 | 33631 | 1.50 | 1.50 | 1.50 | -5.23 | 24.68 |
| Russell 2000 | 4456 | 1.81 | 1.81 | 1.81 | -17.57 | 11.91 |
| Russell 1000 Growth | 1432 | 0.32 | 0.32 | 0.32 | -26.12 | 24.07 |
| Russell 1000 Value | 947 | 2.51 | 2.51 | 2.51 | -5.74 | 22.23 |
| MSCI EAFE | 1996 | 2.68 | 2.68 | 2.68 | -11.23 | 7.13 |
| MSCI EM | 989 | 3.39 | 3.39 | 3.39 | -16.00 | -3.52 |
| NASDAQ | 10569 | 1.01 | 1.01 | 1.01 | -29.32 | 19.32 |

| Fixed Income | Yield | Levels (%) | | | | |
|-------------------|-------|------------|------|------|--------|------------|
| | | 1 week | QTD | YTD | 1 year | 3-yr. Cum. |
| U.S. Aggregate | 4.43 | 1.85 | 1.85 | 1.85 | -10.27 | -6.60 |
| U.S. Corporates | 5.19 | 2.00 | 2.00 | 2.00 | -12.68 | -6.92 |
| Municipals (10yr) | 2.93 | 0.94 | 0.94 | 0.94 | -5.25 | 0.02 |
| High Yield | 8.48 | 2.23 | 2.23 | 2.23 | -8.56 | 2.12 |

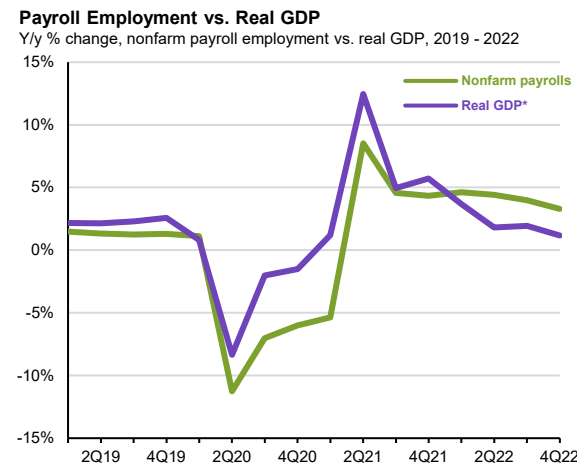
| Key Rates | Levels (%) | | | | | |
|-----------------------|------------|----------|----------|----------|--------|--------|
| | 1/6/23 | 12/30/22 | 12/30/22 | 12/30/22 | 1/6/22 | 1/6/20 |
| 2-yr U.S. Treasuries | 4.24 | 4.41 | 4.41 | 4.41 | 0.88 | 1.54 |
| 10-yr U.S. Treasuries | 3.55 | 3.88 | 3.88 | 3.88 | 1.73 | 1.81 |
| 30-yr U.S. Treasuries | 3.67 | 3.97 | 3.97 | 3.97 | 2.09 | 2.28 |
| 10-yr German Bund | 2.21 | 2.53 | 2.53 | 2.53 | -0.11 | -0.30 |
| 3-mo. LIBOR | 4.81 | 4.77 | 4.77 | 4.77 | 0.23 | 1.87 |
| 3-mo. EURIBOR | 2.25 | 2.13 | 2.13 | 2.13 | -0.57 | -0.39 |
| 6-mo. CD rate | 1.80 | 1.80 | 1.80 | 1.80 | 0.14 | 0.79 |
| 30-yr fixed mortgage | 6.58 | 6.58 | 6.58 | 6.58 | 3.33 | 3.91 |
| Prime Rate | 7.50 | 7.50 | 7.50 | 7.50 | 3.25 | 4.75 |

| Index Characteristics | | | |
|-----------------------|------|-----------|---------------|
| NTM P/E | P/B | Div. Yld. | Mkt. Cap (bn) |
| 16.92 | 3.78 | 1.64 | 32595 |
| 16.85 | 4.43 | 2.04 | 9426 |
| 19.47 | 1.88 | 1.34 | 2306 |
| 21.20 | 8.69 | 1.03 | 17153 |
| 14.34 | 2.39 | 2.12 | 18777 |
| 12.43 | 1.63 | 3.29 | 14619 |
| 12.04 | 1.60 | 3.36 | 6532 |
| 22.64 | 4.50 | 0.95 | 17150 |

| Currencies | Levels | | |
|------------|--------|----------|--------|
| | 1/6/23 | 12/30/22 | 1/6/22 |
| \$ per € | 1.06 | 1.07 | 1.13 |
| \$ per £ | 1.20 | 1.20 | 1.35 |
| ¥ per \$ | 132.42 | 131.95 | 115.75 |

| Commod. | Levels | | |
|-------------|--------|----------|--------|
| | 1/6/23 | 12/30/22 | 1/6/22 |
| Oil (WTI) | 73.67 | 80.16 | 79.47 |
| Gasoline | 3.22 | 3.09 | 3.28 |
| Natural Gas | 3.72 | 3.52 | 3.94 |
| Gold | 1852 | 1814 | 1789 |
| Silver | 23.46 | 23.95 | 22.25 |
| Copper | 8363 | 8387 | 9565 |
| Corn | 5.89 | 6.14 | 5.94 |
| BBG Idx | 235.86 | 245.89 | 215.26 |

Chart of the Week



Style Returns

| | V | B | G |
|---|-----|-----|-----|
| L | 2.5 | 1.5 | 0.3 |
| M | 2.8 | 2.2 | 1.0 |
| S | 2.2 | 1.8 | 1.4 |

S&P 500 Sector Returns

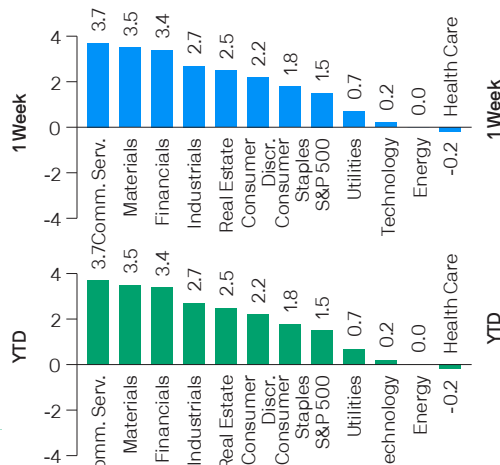




Chart of the Week: *4Q22 real GDP is based on the Atlanta Fed GDPNow seasonally adjusted annualized estimate of 3.8%.Source: Bloomberg, BLS, Federal Reserve, and J.P. Morgan Asset Management.

Thought of the week: Source: Bloomberg, BLS, Federal Reserve, and 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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