

Weekly Market Recap

The week in review

- Retail sales was up 0.2% m/m
- Housing starts fell to 1,434k
- Industrial production was down 0.5% m/m

The week ahead

- FOMC meeting
- Svcs. and mfg. PMIs
- Real GDP
- Consumer confidence & sentiment

Thought of the week

In recent weeks, markets absorbed a lot of news pertaining to both sides of the Fed's mandate, full employment and inflation. In June, payroll job growth declined, the unemployment rate ticked down from 3.7% to 3.6% and wage growth remained at 4.4% y/y, neither adding to, nor diminishing, fears of wage inflation. Meanwhile, June retail sales data added to a picture of a resilient economy, which we expect to be confirmed by this week's second quarter GDP release. The other part of the Fed's mandate, inflation, continues to decelerate, with June headline and core CPI at 3.0% and 4.8% y/y, respectively. Similarly, Powell's preferred measure, super-core inflation, fell to its lowest level since September 2021. While both parts of the Fed's mandate continue to trend in the right direction, we expect the Fed to hike another 25bps on Wednesday. The market clearly agrees and is pricing in a 96% probability of a hike.

Regardless, the end of the Fed hiking cycle looks closer than it did earlier this year, with this week's chart showing the market expects no further hikes for the remainder of the year assuming we get a hike Wednesday. However, the market appears too pessimistic in its outlook for rate cuts with only one full cut expected in 1Q24 and a cumulative 125bps for the year. The Fed often raises rates on an escalator, before being forced to take an elevator down, with rates falling on average 275bps within the first year of cuts. As rates move lower, the investment climate becomes more appealing for all long-term asset classes. Investors may want to extend fixed income duration as expectations for policy rates in 2024 and 2025 may be too high given a softening in growth momentum and rapid decline in inflation.

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	4536	0.70	2.00	19.24	15.39	46.00
Dow Jones 30	35228	2.13	2.48	7.54	12.35	39.47
Russell 2000	4872	1.52	3.83	12.23	8.39	36.89
Russell 1000 Growth	1859	-0.53	1.55	31.01	19.33	40.81
Russell 1000 Value	988	2.12	2.93	8.20	10.58	46.98
MSCI EAFE	2177	-0.57	2.15	14.54	19.64	26.78
MSCI EM	1015	-1.31	2.97	8.22	5.84	1.78
NASDAQ	14033	-0.57	1.79	34.69	17.41	34.47

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	4.79	0.01	0.21	2.30	-1.72	-12.16
U.S. Corporates	5.45	0.20	0.35	3.57	0.06	-12.05
Municipals (10yr)	2.98	0.50	0.64	2.81	2.92	-1.19
High Yield	8.42	0.10	1.09	6.53	6.23	7.31

Key Rates	Levels (%)					
	7/21/23	7/14/23	6/30/23	12/30/22	7/21/22	7/21/20
2-yr U.S. Treasuries	4.82	4.74	4.87	4.41	3.10	0.14
10-yr U.S. Treasuries	3.84	3.83	3.81	3.88	2.91	0.61
30-yr U.S. Treasuries	3.91	3.93	3.85	3.97	3.08	1.31
10-yr German Bund	2.45	2.51	2.41	2.53	1.21	-0.46
3-mo. LIBOR	5.61	5.57	5.55	4.77	2.78	0.26
3-mo. EURIBOR	3.72	3.66	3.58	2.13	0.15	-0.45
6-mo. CD rate	N/A	2.13	2.14	1.80	0.52	0.34
30-yr fixed mortgage	6.87	6.87	6.85	6.58	5.82	3.20
Prime Rate	8.25	8.25	8.25	7.50	4.75	3.25

Index Characteristics				
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)	
19.49	3.99	1.48	37875	
17.74	4.29	1.95	10841	
21.74	1.92	1.41	2454	
27.17	10.05	0.71	21959	
14.96	2.33	2.24	19969	
13.18	1.69	3.13	15893	
12.52	1.57	3.26	6855	
27.92	5.23	0.76	22575	

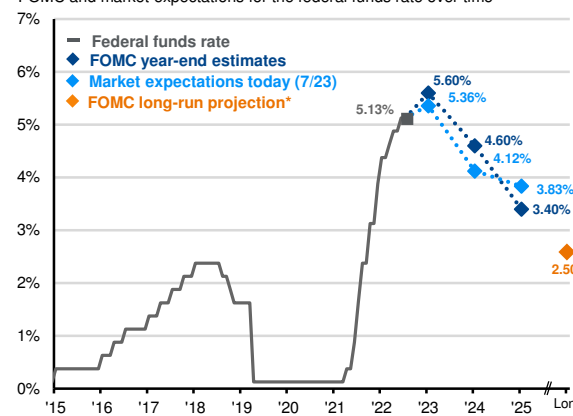
Currencies	Levels		
	7/21/23	12/30/22	7/21/22
\$ per €	1.11	1.07	1.02
\$ per £	1.28	1.20	1.19
¥ per \$	141.76	131.95	137.84

Commod.	Levels		
	7/21/23	12/30/22	7/21/22
Oil (WTI)	75.63	80.16	98.44
Gasoline	3.56	3.09	4.49
Natural Gas	2.76	3.52	7.99
Gold	1961	1814	1705
Silver	24.73	23.95	18.27
Copper	8422	8387	7232
Corn	6.10	6.14	6.36
BBG Idx	238.02	245.89	248.59

Chart of the Week

Federal funds rate expectations

FOMC and market expectations for the federal funds rate over time



Style Returns

	V	B	G
L	2.1	0.7	-0.5
M	1.4	1.1	0.1
S	2.3	1.5	0.7
L	8.2	19.2	31.0
M	9.0	12.6	18.9
S	7.4	12.2	16.8

S&P 500 Sector Returns

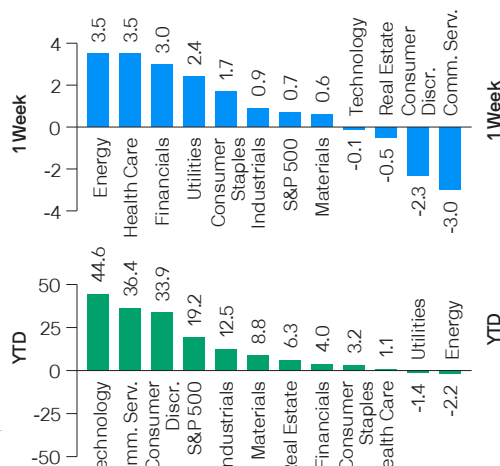




Chart of the Week: Source: Bloomberg, Federal Reserve, J.P. Morgan Asset Management. Market expectations are based off of the respective Federal Funds Futures contracts for December expiry.

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