

Weekly Market Recap

The week in review

- Fed kept rates unchanged at 3.5%-3.75%
- Core PPI rose 0.7% m/m in Dec. vs. 0.2% exp.

The week ahead

- JOLTS
- Nonfarm payrolls
- PMIs

Thought of the week

What happens when, after years of near-zero inflation, it finally takes hold, and a heavily indebted government leans on subsidies and tax cuts to shield households? Japan gave markets a live demo this month.

Inflation has hovered above the Bank of Japan's 2% target for much of the past four years, and medium-term inflation expectations have moved closer to U.S. levels. While this opens the door for policy normalization, the BoJ has been slow to raise rates, cautious of risks to fragile growth.

Meanwhile, households are facing price pressures not seen in decades. In a bid to ease the cost-of-living burden, Prime Minister Takaichi, who called snap elections this month, promised a two-year suspension of the food and beverages consumption tax. This follows earlier energy subsidies that helped cool recent inflation prints.

However, with public debt already around 200% of GDP, these fiscal announcements jolted the bond yields higher, which were already trading at multi-decade highs, as shown in the chart. At the same time, despite rising yields, the yen weakened sharply toward ¥160/\$ as investors demanded a higher risk premium. A weaker yen risks adding fuel to inflation by pushing up the cost of imported food and energy.

While volatility eased after reassurances on fiscal discipline, this episode highlighted how narrow Japan's policy path has become. Moreover, as a long-time provider of global liquidity, a sharp move higher in Japanese yields could pull capital back and push global yields higher. For investors, that perhaps means tempering expectations for a major decline in long-term yields, and owning bonds for carry, not for a duration rally.

Please see important disclosures on next page.

Weekly Data Center

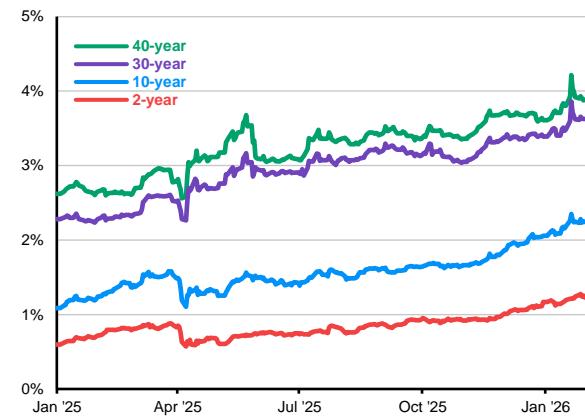
Equities	Level	Index Returns (%)					Index Characteristics			
		1 week	QTD	YTD	1 year	3-yr. Cum.	NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
S&P 500	6939	0.35	1.45	1.45	15.77	80.26	21.99	5.32	1.09	59230
Dow Jones 30	48892	-0.42	1.80	1.80	10.81	53.51	20.56	5.51	1.65	20954
Russell 2000	6496	-2.07	5.35	5.35	14.82	44.69	23.91	2.16	1.12	3018
Russell 1000 Growth	3102	-0.48	-1.51	-1.51	14.13	108.53	27.64	13.11	0.49	32230
Russell 1000 Value	1336	0.62	4.56	4.56	15.04	48.97	17.60	3.07	1.73	31150
MSCI EAFE	3043	1.56	5.22	5.22	31.66	58.61	15.83	2.19	2.47	21501
MSCI EM	1528	1.80	8.86	8.86	43.36	59.55	13.05	2.27	1.75	11129
NASDAQ	23462	-0.16	0.97	0.97	19.99	110.49	26.65	7.29	0.55	39645

Fixed Income	Yield	1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	4.36	0.03	0.11	0.11	6.68	11.76
U.S. Corporates	4.85	-0.11	0.18	0.18	7.16	15.59
Municipals (10yr)	3.06	0.33	1.17	1.17	6.29	10.03
High Yield	7.05	-0.16	0.51	0.51	7.70	29.28

Key Rates	Levels (%)					
	1/30/26	1/23/26	12/31/25	12/31/25	1/30/25	1/30/23
2-yr U.S. Treasuries	3.52	3.60	3.47	3.47	4.18	4.25
10-yr U.S. Treasuries	4.26	4.24	4.18	4.18	4.52	3.55
30-yr U.S. Treasuries	4.87	4.82	4.84	4.84	4.76	3.66
10-yr German Bund	2.85	2.90	2.86	2.86	2.51	2.29
SOFR	3.65	3.65	3.87	3.87	4.36	4.30
3-mo. EURIBOR	2.03	2.04	2.03	2.03	2.61	2.48
6-mo. CD rate	1.85	1.85	1.88	1.88	1.86	N/A
30-yr fixed mortgage	6.21	6.18	6.25	6.25	7.02	6.47
Prime Rate	6.75	6.75	6.75	6.75	7.50	7.50

Chart of the Week

Promise of food tax suspension ahead of polls jolted yields higher
Yields on Japanese government bonds



Style Returns

V	0.6	0.3	-0.5
M	-0.6	-1.2	-2.8
S	-1.0	-2.1	-3.1
V	4.6	1.5	-1.5
M	4.3	3.1	-0.9
S	6.9	5.4	4.0

S&P 500 Sector Returns

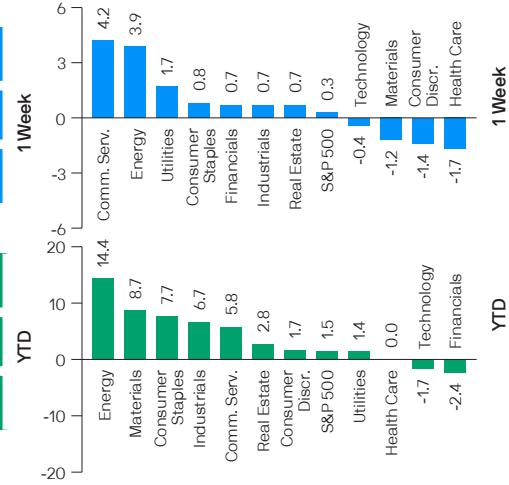


Chart of the Week: Source: Bloomberg, J.P. Morgan Asset Management.

Thought of the week: Source: Bloomberg, 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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