

MARKET INSIGHTS

# Weekly Market Recap

U.S. | September 21, 2015

## The week in review

- Retail sales increased 0.2% m/m
- Industrial production fell -0.4% m/m
- Empire State survey weak at -14.7
- Core CPI maintained 1.8% y/y growth
- Housing starts fell to 1.126m saar
- Philadelphia Fed survey fell to -6.0

## The week ahead

- Existing & new home sales
- FHFA HPI
- Flash Markit Mfg. and Non-Mfg. PMIs
- Durable Goods
- Consumer sentiment
- Final statement of 2Q15 Real GDP

## Thought of the week

The FOMC decided to maintain its policy rate during last week's meeting. Many economists guessed that the Committee would raise rates for the first time in almost ten years after months of rhetoric from the Fed indicated that its dual mandate of maximum employment and stable prices had been sufficiently met. In fact, instead of raising rates the FOMC decided to hold off. In the past, moderate inflation and a tightening labor market would be grounds for raising interest rates. However, as shown in the chart of the week, the FOMC's projections for the federal funds rate at the end of 2016 are sinking with the unemployment rate. The counterintuitive relationship between the two exists because the Fed is increasingly considering international developments including the strong U.S. dollar exchange rate and global market and economic turbulence in its assessment of U.S. economic strength. The FOMC's inaction despite falling unemployment and stable prices adds an additional element of uncertainty to the market, which may be negative for equities and positive for treasuries in the near-term. However, on a relative value basis we still believe in an overweight to equity versus fixed income relative to a normal portfolio.

### WEEKLY DATA CENTER

Equities	Level	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
S&P 500	1958	-0.13	-4.64	-3.46	-0.62	42.98
Dow Jones 30	16385	-0.24	-6.43	-6.39	-2.75	29.87
Russell 2000	2891	0.51	-6.99	-2.56	1.68	41.35
Russell 1000 Growth	639.51	0.24	-2.14	1.74	4.78	49.25
Russell 1000 Value	575.21	-0.39	-7.24	-7.81	-5.64	39.23
MSCI EAFE	1714	0.55	-6.58	-1.09	-7.27	21.14
MSCI EM	829.86	3.46	-13.92	-11.23	-19.24	-10.39
NASDAQ	4827	0.12	-2.95	2.78	6.31	57.79

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	2.33	0.35	1.12	1.01	3.30	5.73
U.S. Corporates	3.40	0.50	1.04	0.11	2.27	8.22
Municipals (10yr)	2.23	0.51	1.36	1.47	3.44	10.10
High Yield	7.56	-0.55	-2.26	0.21	-1.94	13.12

Key Rates	Levels (%)					
	9/18/15	9/11/15	6/30/15	12/31/14	9/18/14	9/18/12
2-yr U.S. Treasuries	0.69	0.71	0.64	0.67	0.59	0.25
10-yr U.S. Treasuries	2.13	2.20	2.35	2.17	2.63	1.82
30-yr U.S. Treasuries	2.93	2.95	3.11	2.75	3.36	3.00
10-yr German Bund	0.66	0.65	0.77	0.53	1.03	1.64
3-mo. LIBOR	0.32	0.34	0.28	0.26	0.23	0.38
3-mo. EURIBOR	N/A	-0.04	-0.01	0.08	0.08	0.25
6-mo. CD rate	N/A	N/A	N/A	0.27	0.27	0.38
30-yr fixed mortgage	4.09	4.09	4.26	4.04	4.36	3.72
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25

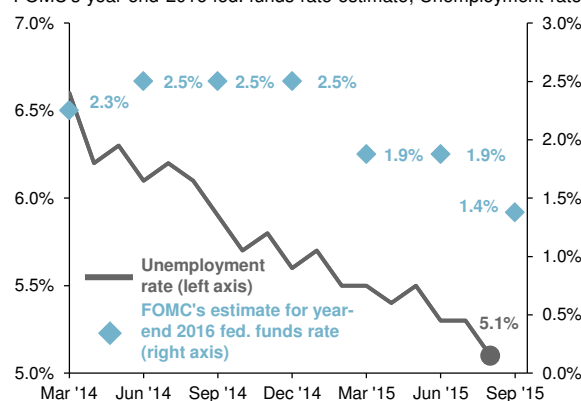
Index Characteristics			
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
15.34	2.51	2.24	36.91
14.09	2.72	2.34	N/A
22.66	2.05	1.45	1.04
17.64	5.29	1.60	19.32
14.14	1.60	2.66	23.74
14.06	1.60	3.16	17.74
11.03	1.30	2.94	10.64
20.12	3.66	0.91	3.28

Currencies	Levels		
	9/18/15	12/31/14	9/18/14
\$ per €	1.14	1.21	1.29
\$ per £	1.56	1.56	1.64
¥ per \$	119.96	119.90	108.64

Commodities	Levels		
	9/18/15	12/31/14	9/18/14
Oil (WTI)	44.69	53.49	93.07
Gasoline	2.38	2.30	3.41
Natural Gas	2.63	3.00	3.96
Gold	1142	1206	1221
Silver	15.26	15.97	18.50
Copper	5358	6359	6920
Corn	3.61	3.80	3.18
BBG Idx	176.73	210.12	242.65

### CHART OF THE WEEK

**Lower rate expectations despite a tighter labor market**  
FOMC's year-end 2016 fed. funds rate estimate; Unemployment rate



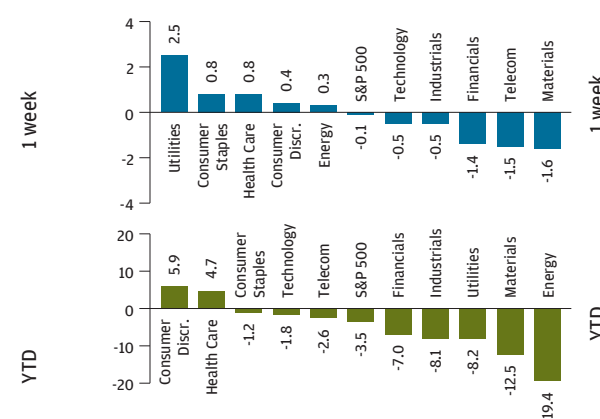
### STYLE RETURNS

	V	B	G
L	-0.4	-0.1	0.2
M	0.3	0.1	-0.1
S	0.1	0.5	0.9

	V	B	G
L	-7.8	-3.5	1.7
M	-5.4	-2.6	0.2
S	-7.6	-2.6	2.6

### S&P 500 SECTOR RETURNS



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*Chart of the Week:* Source: BLS, FRB, J.P. Morgan Asset Management.

*Thought of the week:* Source: BLS, FRB, 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; Philly Fed Survey: Philadelphia Fed Business Outlook Survey; PMI: Purchasing Managers' Manufacturing Index; PPI: Producer Price Index

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).

**Past performance does not guarantee future results.**

## **Diversification does not guarantee investment returns and does not eliminate the risk of loss.**

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Unless otherwise stated, all data is as of September 21, 2015 or as of most recently available.