



STATE OF THE MARKET

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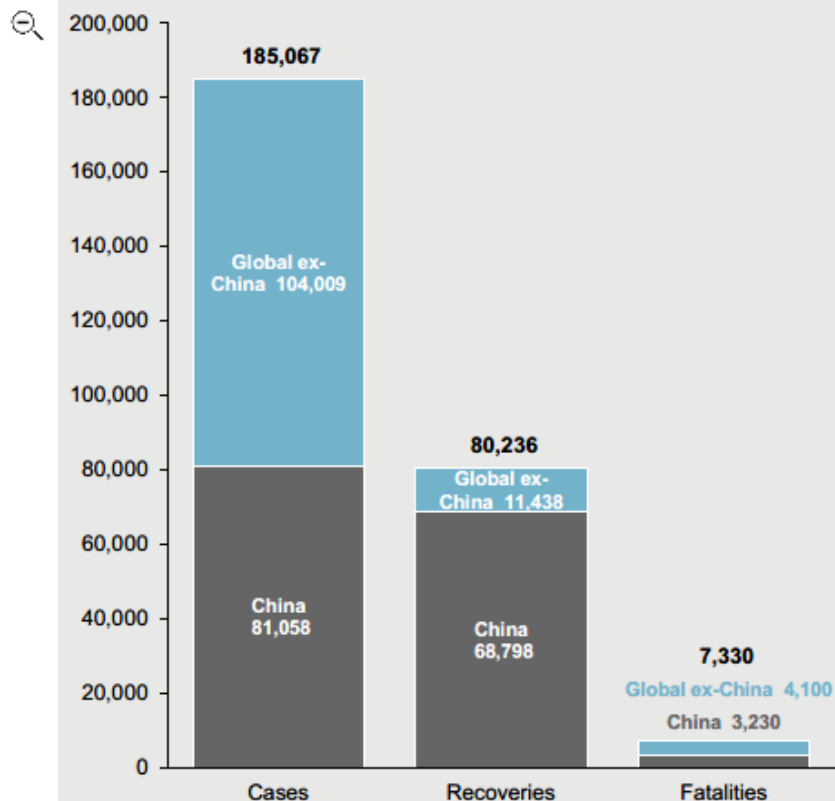
DON'T PANIC



COVID-19 appears sufficiently lethal and contagious to threaten the global economy and markets.

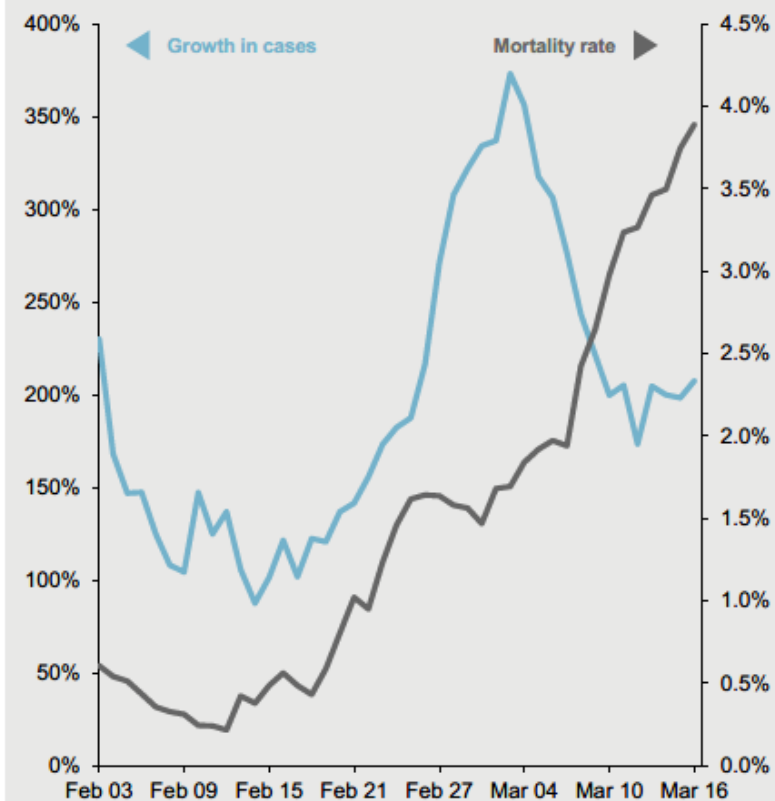
Cases, recoveries and fatalities by region

As of March 17, 2020



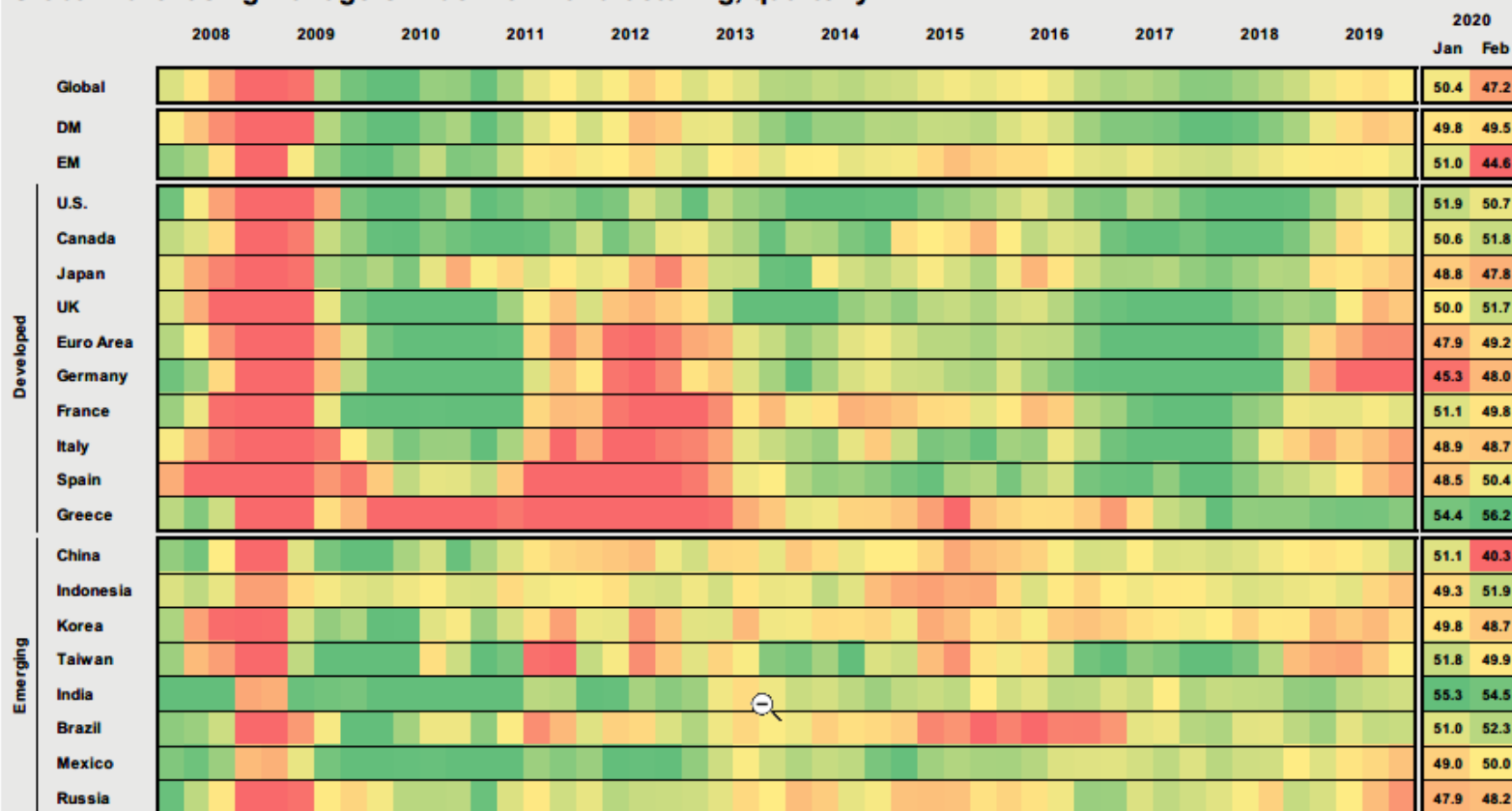
Weekly % change in cases and mortality rate ex-China

As of March 16, 2020



Source: Johns Hopkins CSSE, J.P. Morgan Asset Management. Growth in cases is the week-over-week percent change in cumulative cases outside of China. The mortality rate is the number of fatalities reported per the total number of cases reported outside of China. Data are as of March 17, 2020.

Global Purchasing Managers' Index for manufacturing, quarterly



Source: Markit, J.P. Morgan Asset Management.

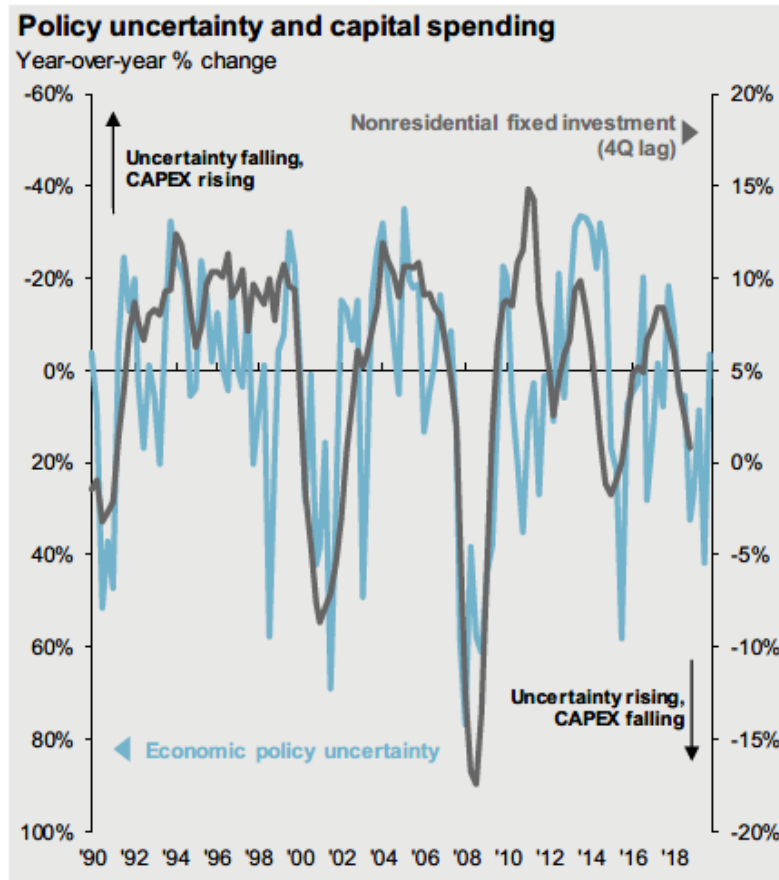
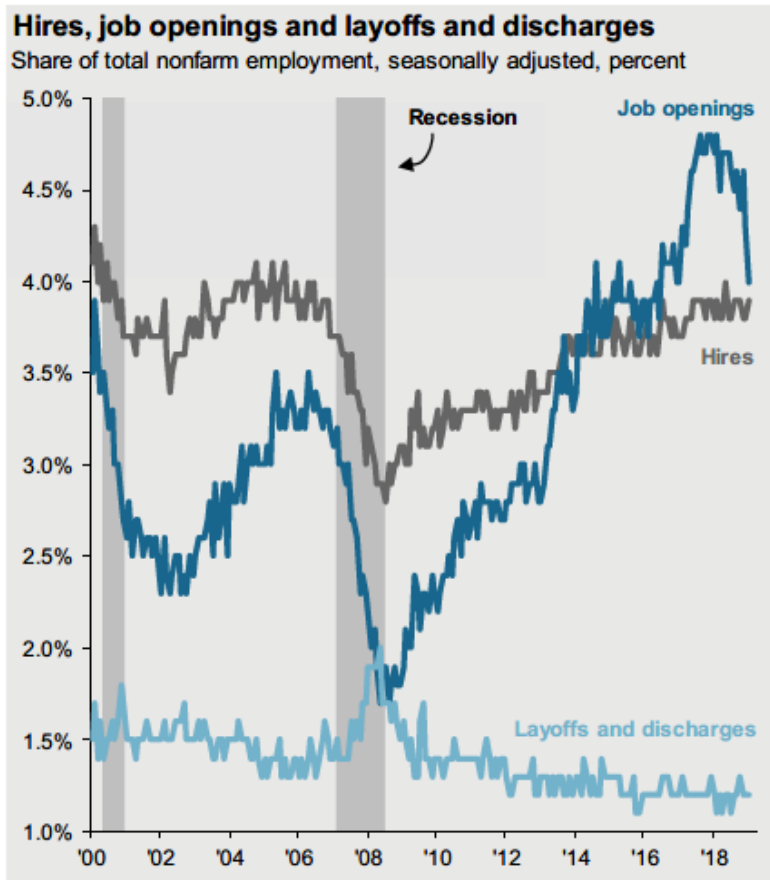
Heatmap colors are based on PMI relative to the 50 level, which indicates acceleration or deceleration of the sector, for the time period shown. Heatmap is based on quarterly averages, with the exception of the two most recent figures, which are single month readings. Data for Canada, Indonesia and Mexico are back-tested and filled in from December 2007 to November 2010 for Canada and May 2011 for Indonesia and Mexico due to lack of existing PMI figures for these countries. DM and EM represent developed markets and emerging markets, respectively.

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...and in the U.S., business confidence is the biggest vulnerability.

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Economy



Source: J.P. Morgan Asset Management, (Left) Bureau of Labor Statistics; (Right) Bureau of Economic Analysis, "Measuring Economic Policy Uncertainty" by Scott Baker, Nicholas Bloom and Steven J. Davis. The policy uncertainty index is constructed by three components: newspaper coverage of policy-related economic uncertainty, the number of federal tax code provisions set to expire in future years and disagreement among economic forecasters as a proxy for uncertainty.
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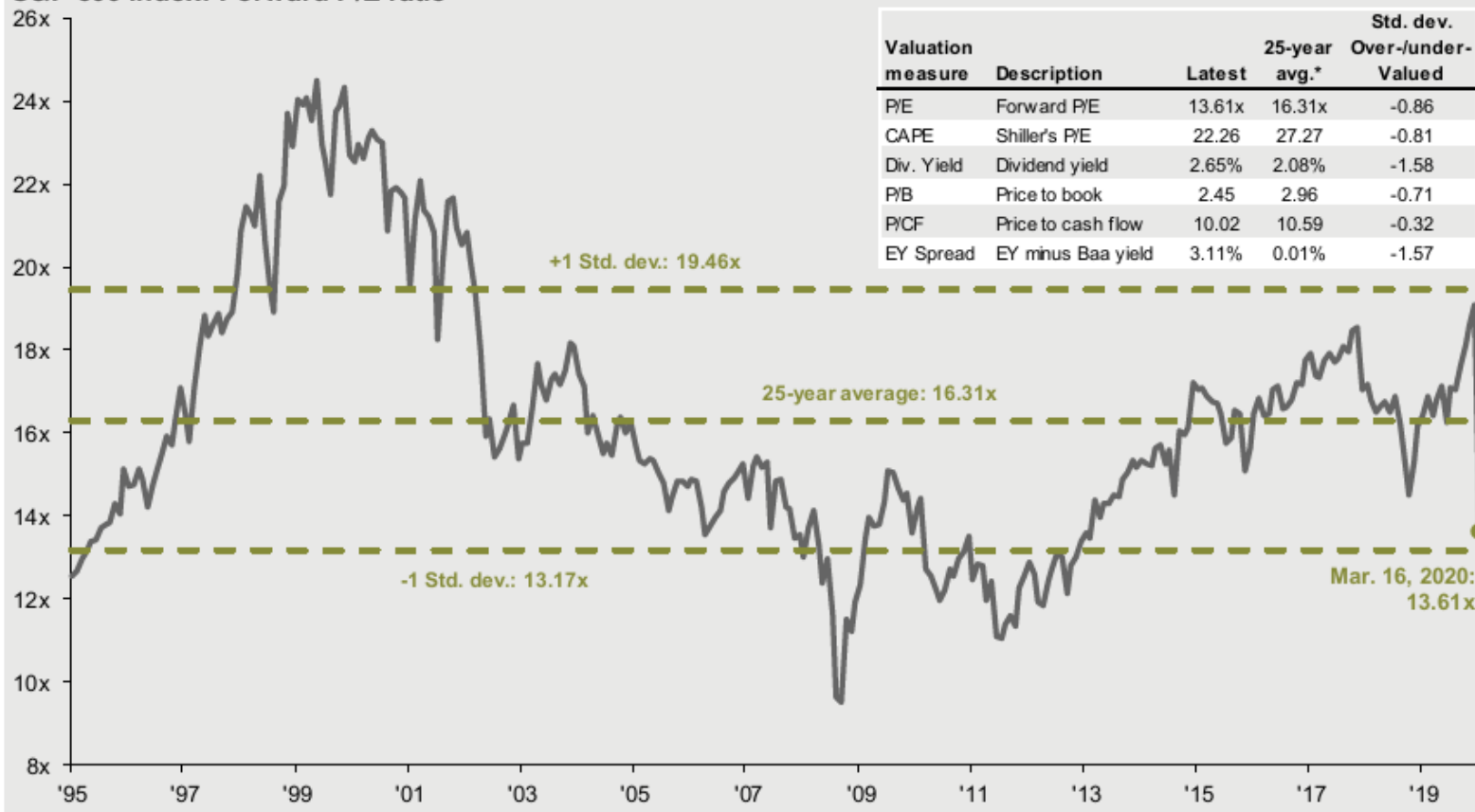
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Concerns triggered significant market declines, leaving U.S. equity valuations below fair value...

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Equities

S&P 500 Index: Forward P/E ratio



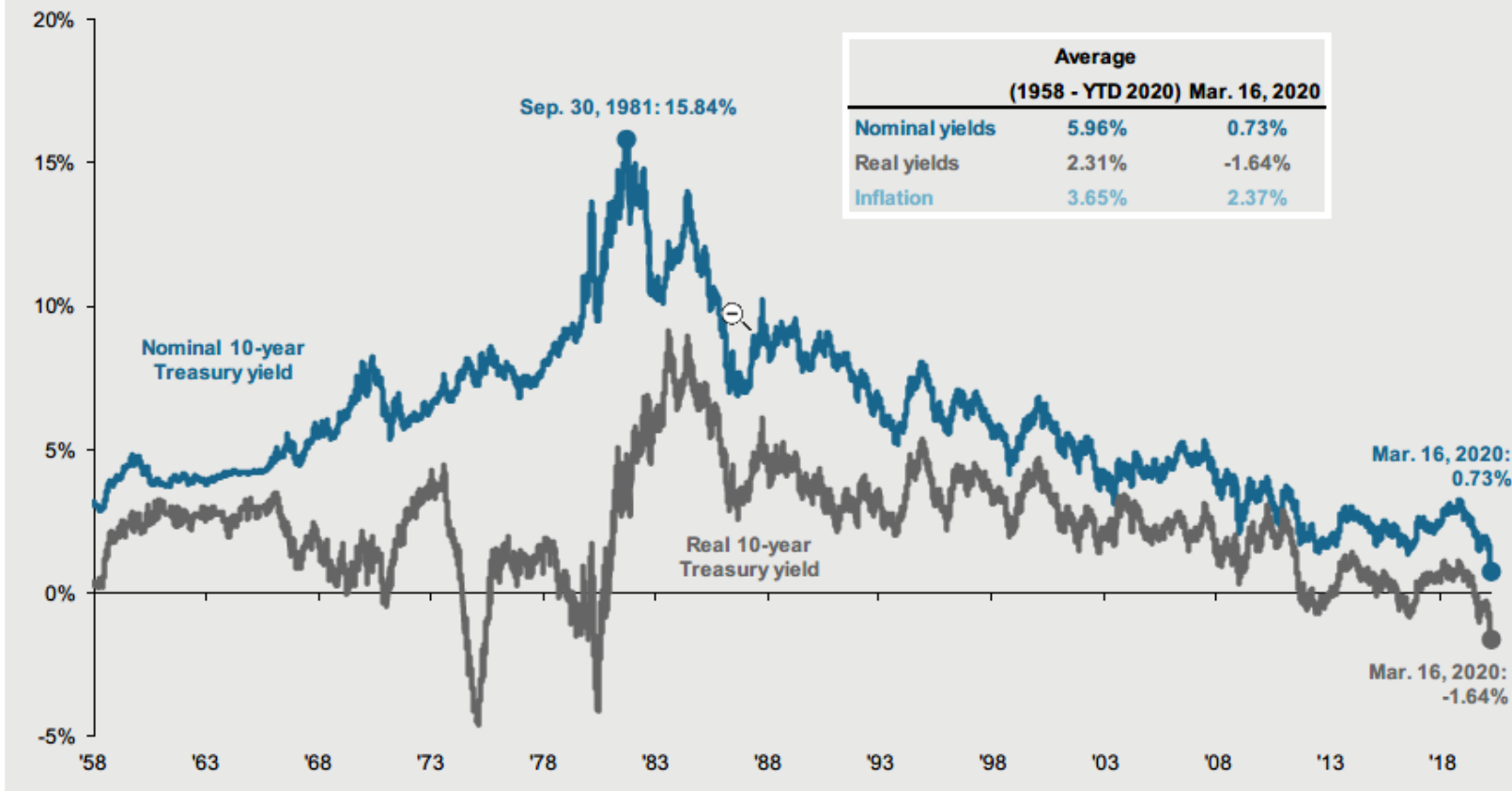
Source: FactSet, FRB, Robert Shiller, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management.

Price to earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since March 1995, and FactSet for March 16, 2020. Average P/E and standard deviations are calculated using 25 years of IBES history. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as the next 12-month consensus dividend divided by most recent price. Price to book ratio is the price divided by book value per share. Price to cash flow is price divided by NTM cash flow. EY minus Baa yield is the forward earnings yield (consensus analyst estimates of EPS over the next 12 months divided by price) minus the Moody's Baa seasoned corporate bond yield. Std. dev. over-/under-valued is calculated using the average and standard deviation over 25 years for each measure. *P/CF is a 20-year average due to cash flow data availability.

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Nominal and real 10-year Treasury yields



Source: BLS, FactSet, Federal Reserve, J.P. Morgan Asset Management.
 Real 10-year Treasury yields are calculated as the daily Treasury yield less year-over-year core CPI inflation for that month except for March 2020 where real yields are calculated by subtracting out February 2020 year-over-year core inflation.
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Oil prices have collapsed due to diminishing global demand and production disputes.

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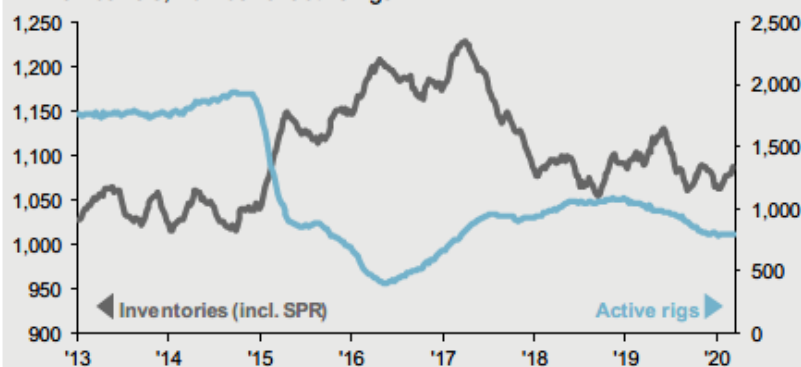
Change in production and consumption of liquid fuels

Production, consumption and inventories, millions of barrels per day

Production	2017	2018	2019	2020*	2021*	Growth since '17
U.S.	15.7	17.9	19.5	20.9	20.8	32.8%
OPEC	37.4	37.3	35.2	34.2	34.5	-7.8%
Russia	11.2	11.4	11.5	11.6	11.5	2.8%
Global	98.1	100.8	100.6	102.1	102.4	4.4%
Consumption						
U.S.	20.0	20.5	20.5	20.5	20.7	3.8%
China	13.6	14.0	14.5	14.6	15.4	13.4%
Global	98.7	100.0	100.8	101.1	102.9	4.2%
Inventory Change	-0.6	0.8	-0.2	1.0	-0.4	

U.S. crude oil inventories and rig count**

Million barrels, number of active rigs



Price of oil

WTI crude, nominal prices, USD/barrel



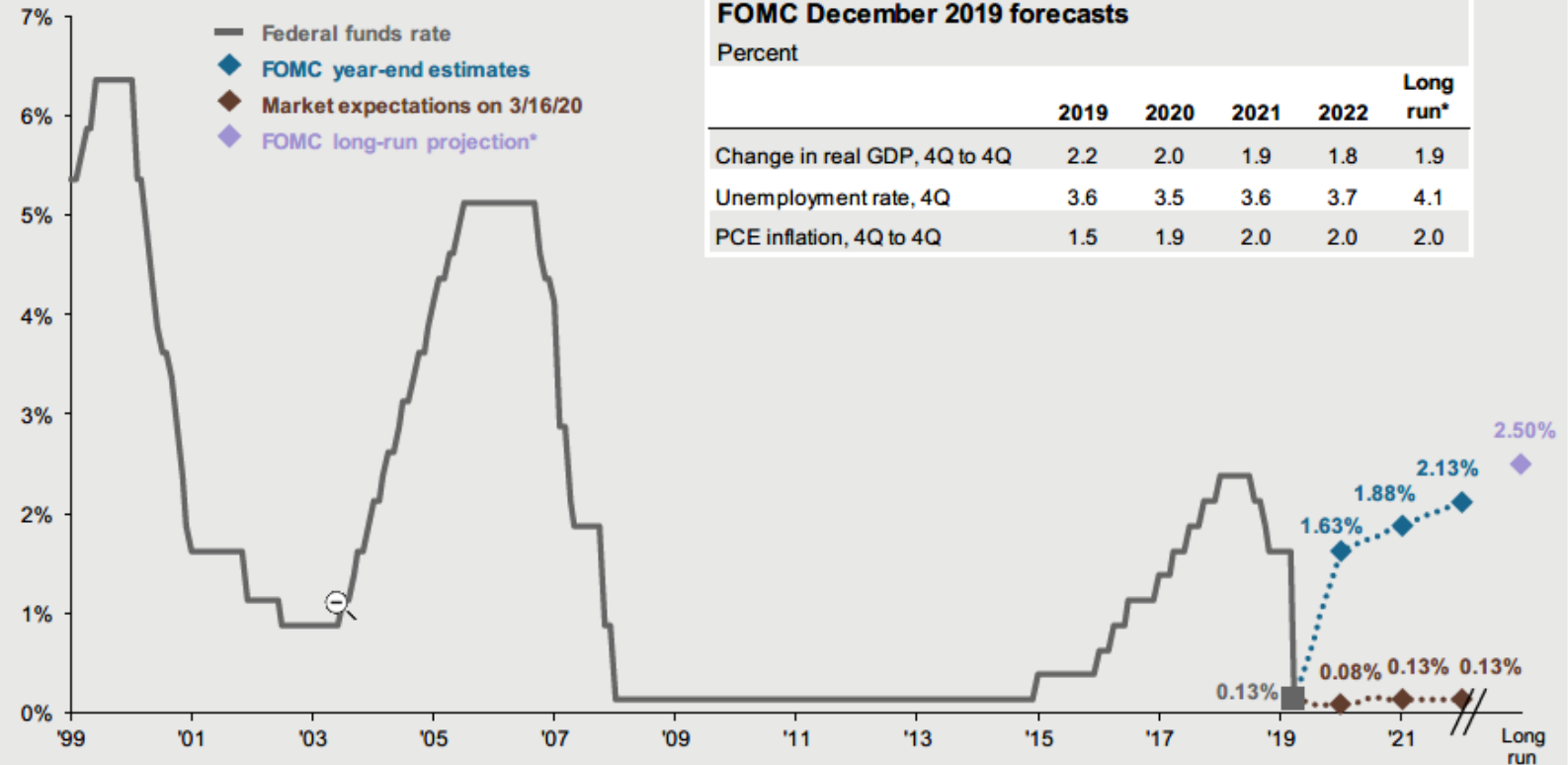
Source: J.P. Morgan Asset Management; (Top and bottom left) EIA; (Right) FactSet; (Bottom left) Baker Hughes.

*Forecasts are from the March 2020 EIA Short-Term Energy Outlook and start in 2020. **U.S. crude oil inventories include the Strategic Petroleum Reserve (SPR). Active rig count includes both natural gas and oil rigs. WTI crude prices are continuous contract NYM prices in USD.

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Federal funds rate expectations

FOMC and market expectations for the federal funds rate



Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.

Market expectations are the federal funds rates priced into the fed futures market as of the following date of the March 15, 2020 emergency cut and are through December 2022. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy.

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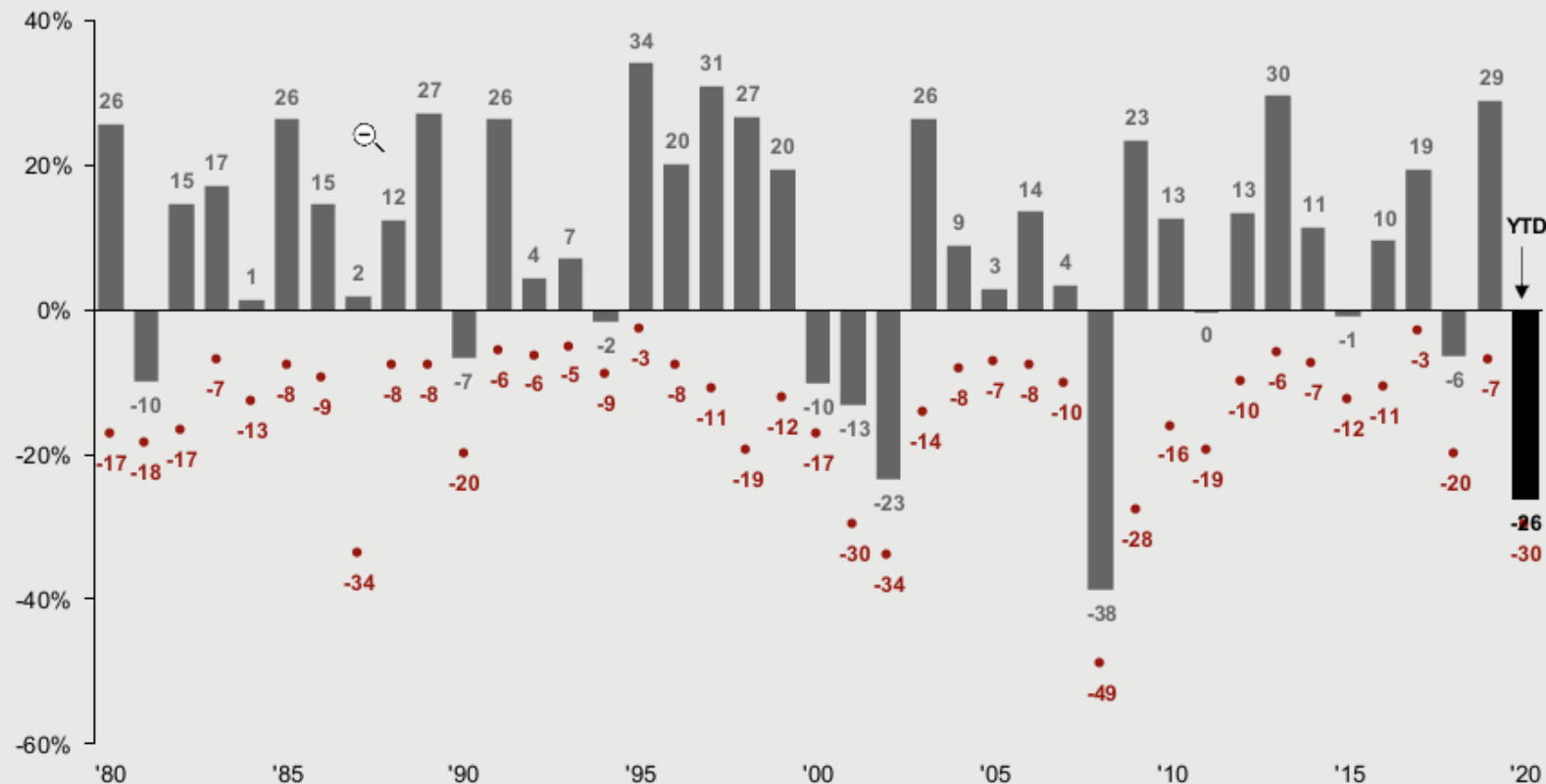
Still, current volatility doesn't mean there won't eventually be a rebound...

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Equities

S&P 500 intra-year declines vs. calendar year returns

Despite average intra-year drops of 13.8%, annual returns positive in 30 of 40 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2019, over which time period the average annual return was 8.9%.

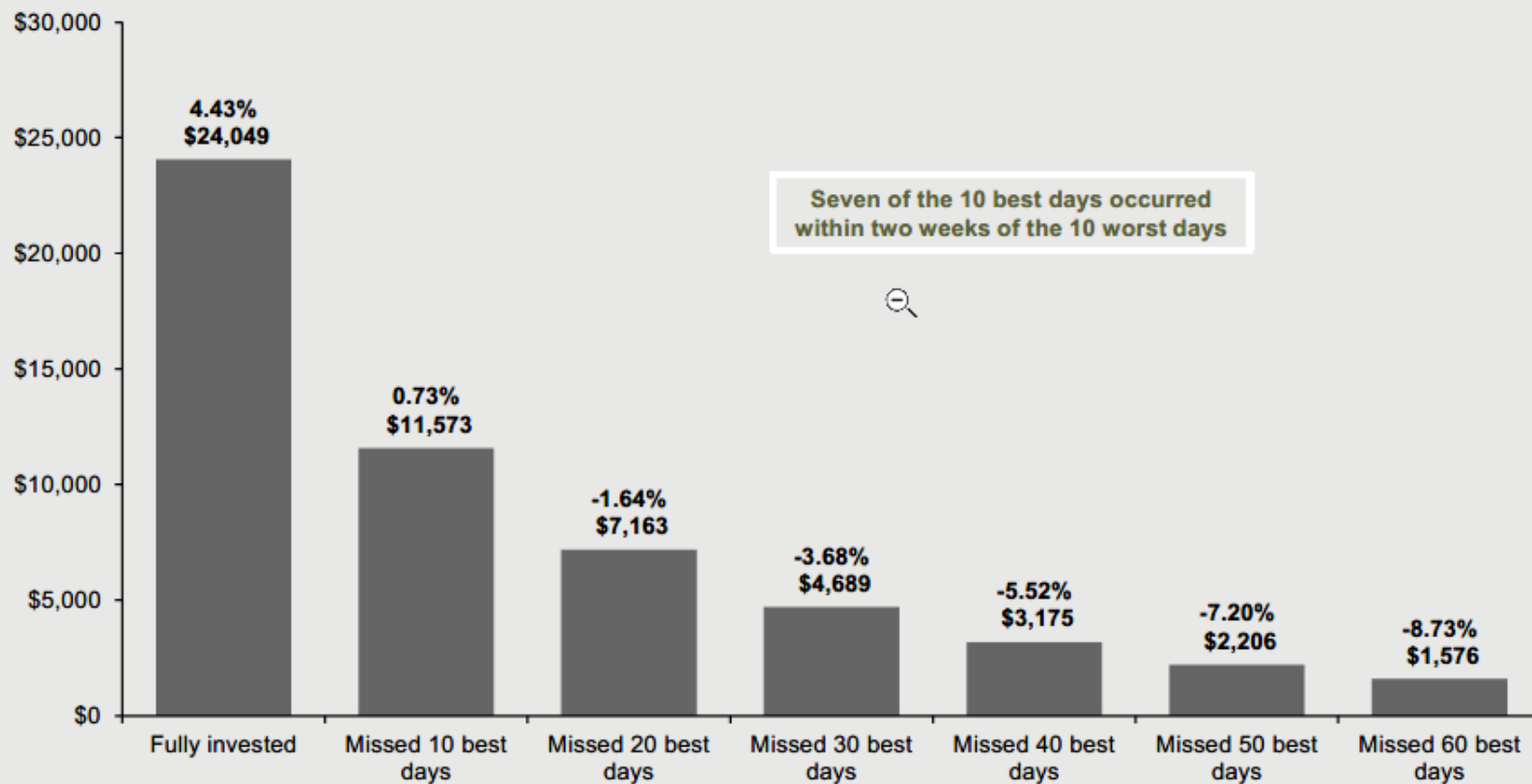
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...but it's extremely challenging to time the markets.

Returns of S&P 500 – Missing the best days

Performance of \$10,000 between January 1, 2000 and March 16, 2020, annualized total returns



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management. Data are as of March 13, 2020.

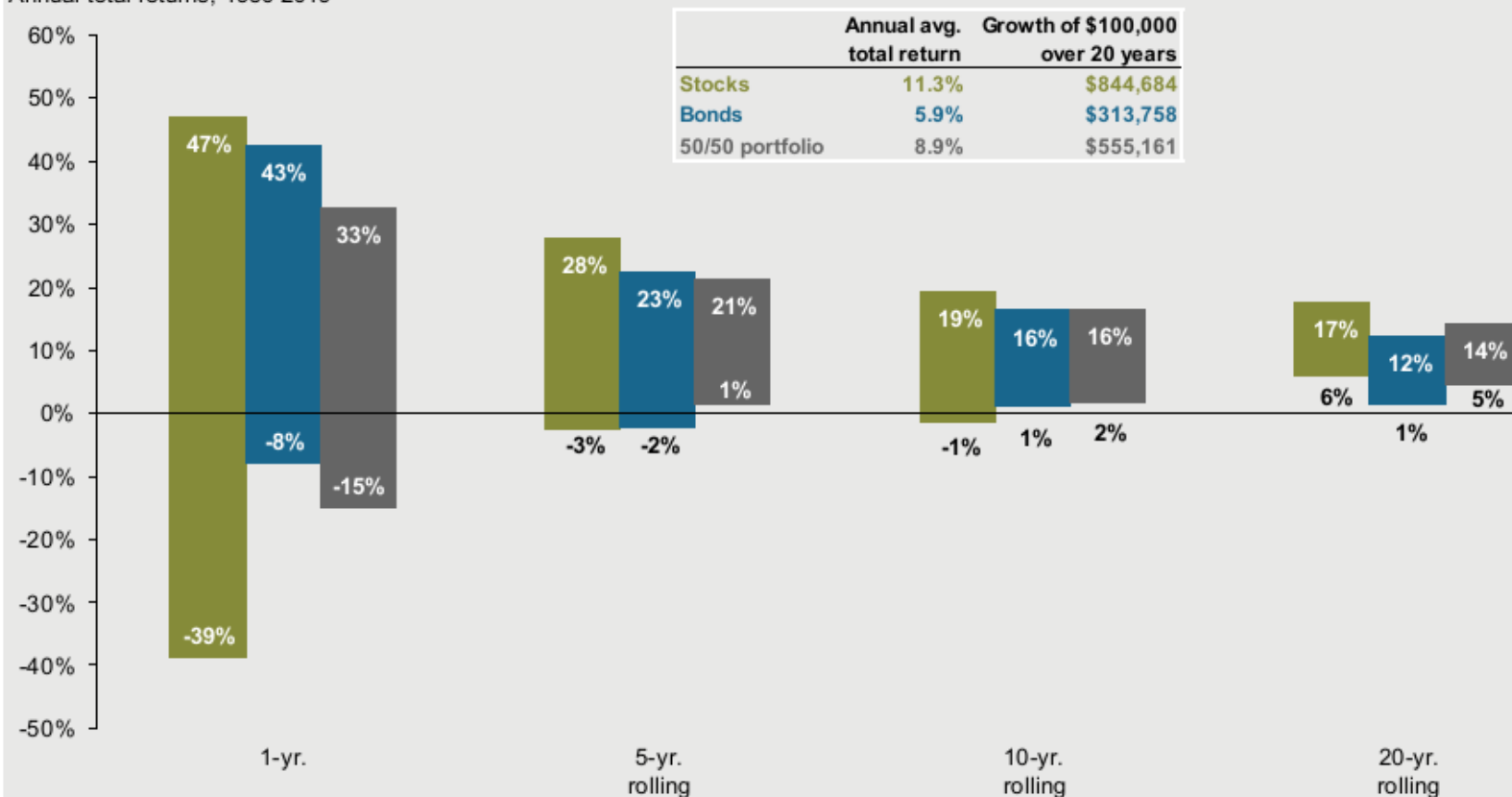
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Instead, time in the market dampens the return impacts of volatility, and risk assets are critical for growth.

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Range of stock, bond and blended total returns

Annual total returns, 1950-2019

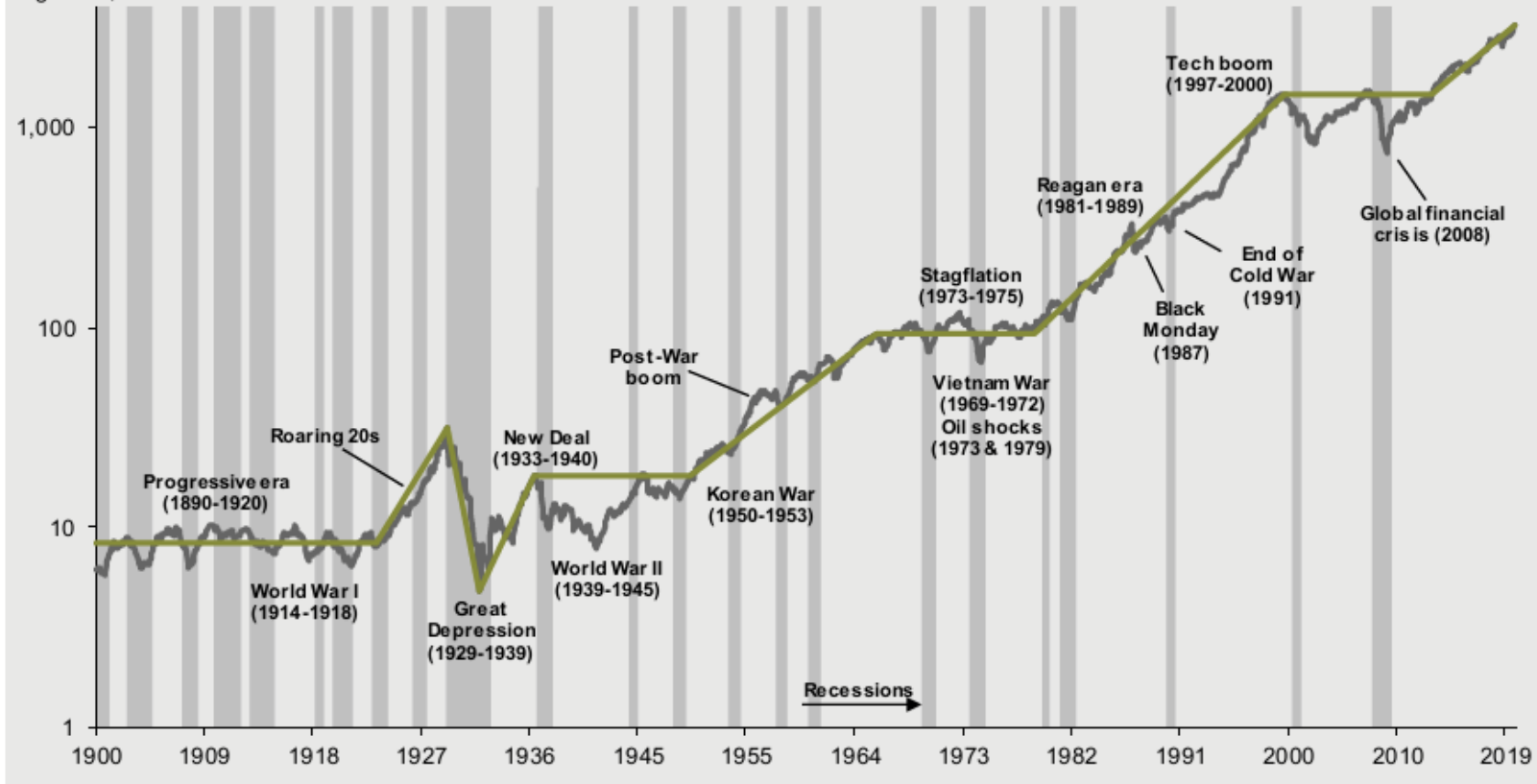


Source: Barclays, Bloomberg, FactSet, Federal Reserve, Robert Shiller, Strategas/Ibbotson, J.P. Morgan Asset Management. Returns shown are based on calendar year returns from 1950 to 2019. Stocks represent the S&P 500 Shiller Composite and Bonds represent Strategas/Ibbotson for periods from 1950 to 2010 and Bloomberg Barclays Aggregate thereafter. Growth of \$100,000 is based on annual average total returns from 1950 to 2019. Guide to the Markets – U.S. Data are as of March 16, 2020.

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S&P Composite Index

Log scale, annual



Source: FactSet, NBER, Robert Shiller, J.P. Morgan Asset Management.

Data shown in log scale to best illustrate long-term index patterns. Past performance is not indicative of future returns. Chart is for illustrative purposes only.

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THINGS THAT MAY CHANGE, DUE TO COVID-19

- The Rise of Telemedicine
- A Boon to Virtual Reality
- A Healthier Digital Reality
- Regulatory Barriers to Online Tools may Fall
- Less Individualism
- Decline in Polarization



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