

# Weekly Market Recap

## The week in review

- Light vehicle sales decreased to 14.1 million
- Nonfarm payrolls rose by 678K vs. 423K cons.
- Hourly earnings rose 0% m/m and 5.1% y/y
- Unemployment rate decreased to 3.8%

## The week ahead

- CPI
- JOLTS
- NFIB small business survey

## Thought of the week

When it comes to economic growth in the United States, the consumer is key, accounting for nearly 70% of gross domestic product (GDP). Following the initial pandemic shock in early 2020, the consumer came back with a vengeance, as stimulus checks and enhanced unemployment benefits stabilized balance sheets across the U.S. and spending on goods accelerated meaningfully. However, with food and energy prices rising, there is a risk that the composition of consumer spending will begin to shift. Looking at energy spending as a percentage of total spending, we are able to model a scenario in which crude oil prices rise to \$120 per barrel. In aggregate, however, the model forecasts energy spending would increase to 5.0%, which is only slightly above the 2021 average of 4.8%.

That said, the devil is in the details. To an extent, economic growth has been solid and inflation has been elevated due to stimulus that lined the pockets of lower-income individuals. This group has a much higher marginal propensity to consume – put differently, if they have extra money in their pocket they are more likely to spend than save. As we show in the chart of the week, this cuts both ways. If oil prices spike to \$120, energy spending may rise to 13.9% of total spending compared to an average of 10.1% in 2021 for the lowest earning individuals, limiting their ability to consume other items. This could in turn lead to slower economic growth than expected, but also a more rapid decline in core inflation. While we still expect the Federal Reserve (Fed) will hike interest rates at its March meeting, this dynamic may allow the Fed to tighten more gradually than markets currently expect.

Please see important disclosure on next page.

## Weekly Data Center

Equities	Level	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
S&P 500	4329	-1.24	-8.94	-8.94	16.49	63.16
Dow Jones 30	33615	-1.23	-7.15	-7.15	10.73	38.87
Russell 2000	4973	-1.92	-10.74	-10.74	-5.84	31.85
Russell 1000 Growth	1729	-2.49	-14.84	-14.84	13.16	81.25
Russell 1000 Value	984.05	-0.45	-3.41	-3.41	14.61	41.15
MSCI EAFE	2035	-6.50	-12.64	-12.64	-4.36	18.25
MSCI EM	1145	-2.29	-6.93	-6.93	-12.88	17.47
NASDAQ	13313	-2.76	-14.80	-14.80	5.32	80.23

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	2.33	0.95	-3.09	-3.09	-1.79	10.42
U.S. Corporates	3.14	0.83	-5.44	-5.44	-2.31	14.71
Municipals (10yr)	1.79	-0.02	-3.32	-3.32	-1.52	9.29
High Yield	5.96	-0.16	-4.07	-4.07	0.32	16.30

Key Rates	Levels (%)					
	3/4/22	2/25/22	12/31/21	12/31/21	3/4/21	3/4/19
2-yr U.S. Treasuries	1.50	1.55	0.73	0.73	0.14	2.55
10-yr U.S. Treasuries	1.74	1.97	1.52	1.52	1.54	2.72
30-yr U.S. Treasuries	2.16	2.29	1.90	1.90	2.30	3.09
10-yr German Bund	-0.10	0.22	-0.18	-0.18	-0.33	0.16
3-mo. LIBOR	0.61	0.52	0.21	0.21	0.18	2.61
3-mo. EURIBOR	-0.52	-0.53	-0.57	-0.57	-0.54	-0.31
6-mo. CD rate	0.16	0.14	0.14	0.14	0.20	0.77
30-yr fixed mortgage	4.15	4.15	3.33	3.33	3.23	4.67
Prime Rate	3.25	3.25	3.25	3.25	3.25	5.50

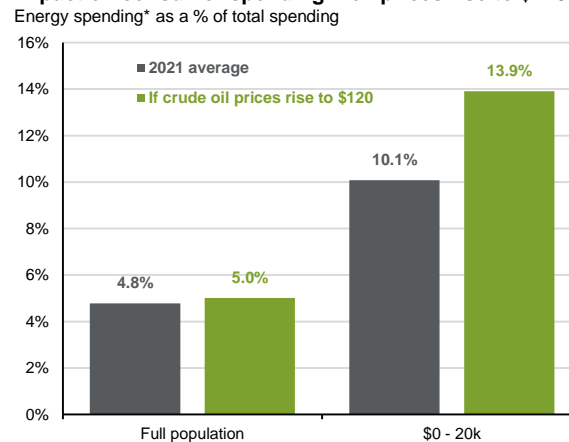
Index Characteristics				
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)	
18.81	4.33	1.37	79.48	
17.38	4.55	1.87	361.92	
20.76	2.24	1.06	1.58	
25.21	11.79	0.74	58.01	
15.20	2.54	1.91	35.44	
13.02	1.71	2.86	24.39	
11.46	1.74	2.55	18.29	
26.47	5.82	0.71	6.59	

Currencies	Levels		
	3/4/22	12/31/21	3/4/21
\$ per €	1.09	1.14	1.20
\$ per £	1.32	1.35	1.40
¥ per \$	114.81	115.16	107.60

Commod.	Levels		
	3/4/22	12/31/21	3/4/21
Oil (WTI)	115.68	75.33	63.81
Gasoline	3.61	3.28	2.71
Natural Gas	5.02	3.82	2.79
Gold	1945	1806	1712
Silver	25.15	23.09	25.96
Copper	10466	9692	8787
Corn	7.39	5.86	5.22
BBG Idx	271.42	211.80	181.01

## Chart of the Week

### Impact on consumer spending if oil prices rise to \$120



## Style Returns

	V	B	G
L	-0.5	-1.2	-2.5
M	-1.0	-1.8	-3.5
S	-0.4	-1.9	-3.6
	V	B	G
L	-3.4	-8.9	-14.8
M	-5.3	-9.5	-17.1
S	-5.0	-10.7	-16.5

## S&P 500 Sector Returns

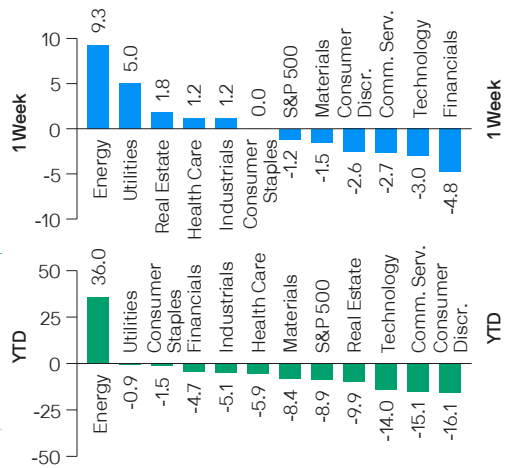




Chart of the Week: Source: FactSet, J.P. Morgan Asset Management, based on select internal data. \* Energy spending is proxied using total credit and debit spending on transportation. For the forecast, we assume total consumer spending remains constant at the 2021 average.

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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.

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

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