

# 1Q 2021 Market Review and Outlook

April 19, 2021

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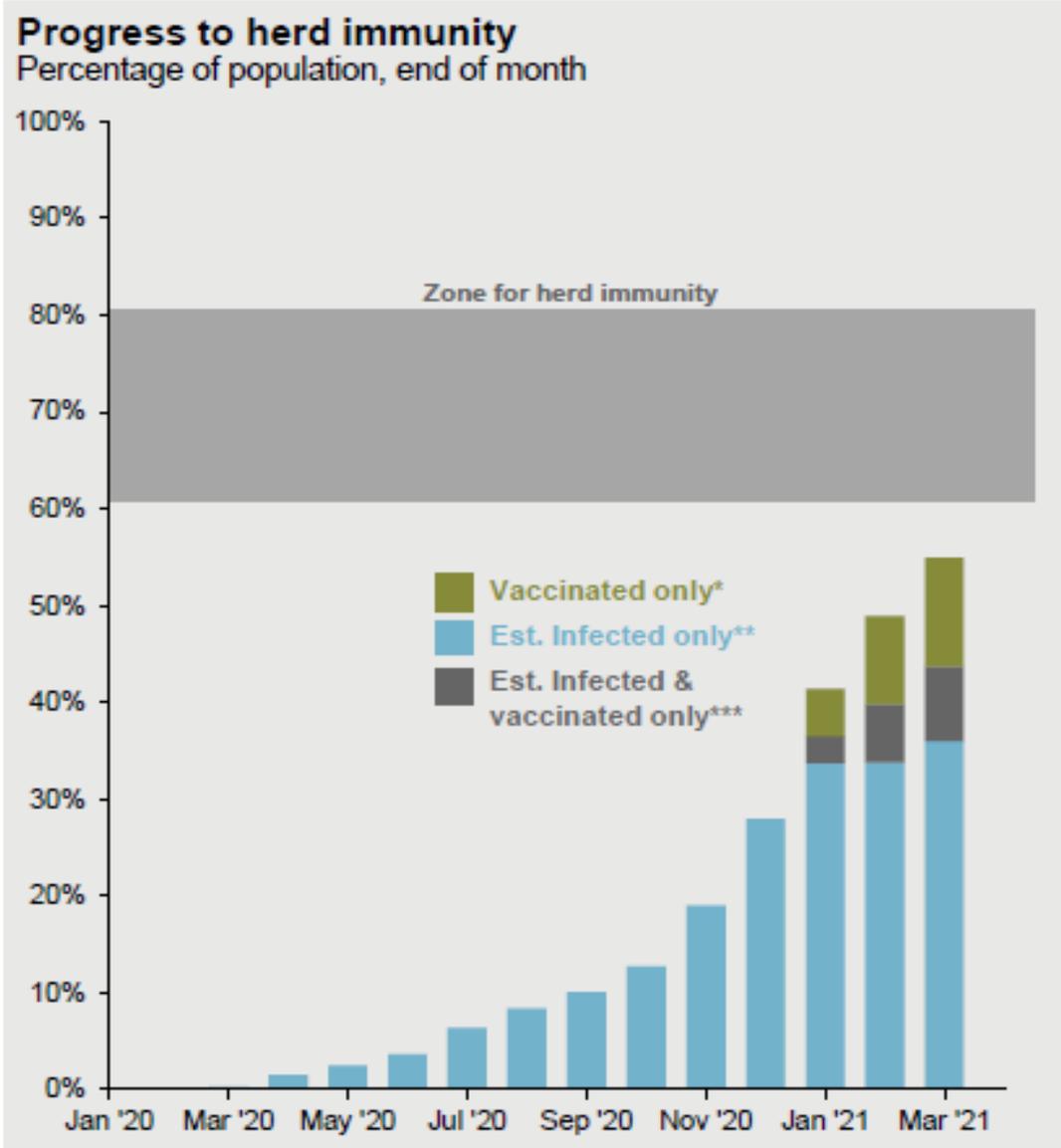
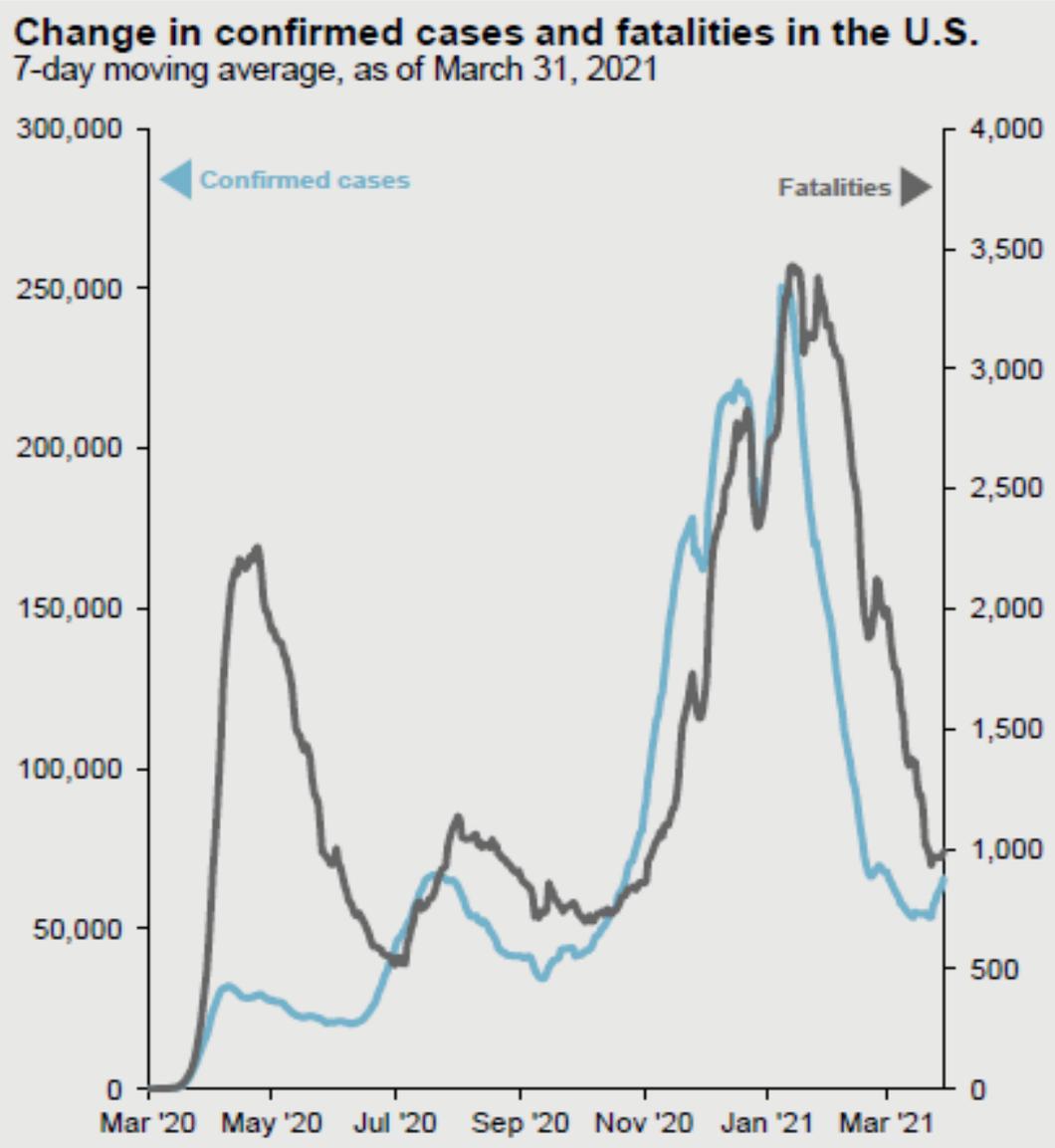
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# 1Q 2021 Review and Outlook

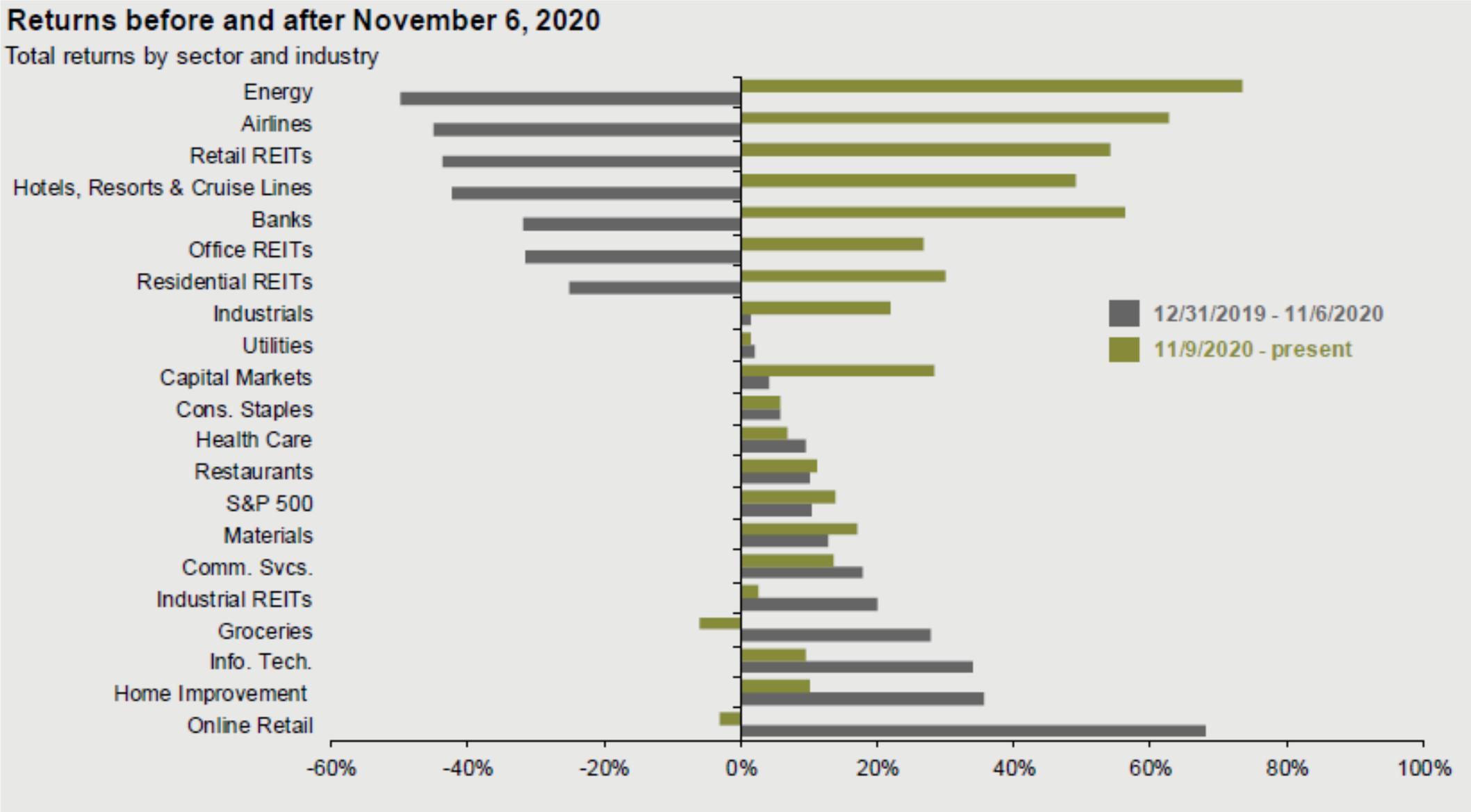
- Expectations for US growth in 2021 are very strong. Fiscal and monetary stimulus coupled with significant savings and pent-up demand likely to drive record spending.
- U.S. vaccinations are occurring at an impressive rate. Expectations for US “herd immunity” by fall seem realistic.
- Remain overweight to US equities relative to international developed markets despite higher valuations. Global vaccine distribution is challenged; many countries remain on various forms of lockdown.
- Remain underweight to traditional bonds and duration, emphasizing credit instead. Inflation measures likely to come in at higher levels in the coming months, but continue to see inflation as transitory
- Continued focus on Alternatives/Private Market exposures providing diversification of returns and potential for portfolio income
- Risks: Virus/vaccine situation globally, higher corporate and individual tax rates, and longer-term inflation concerns

# Pandemic Situation: Dramatic Improvement



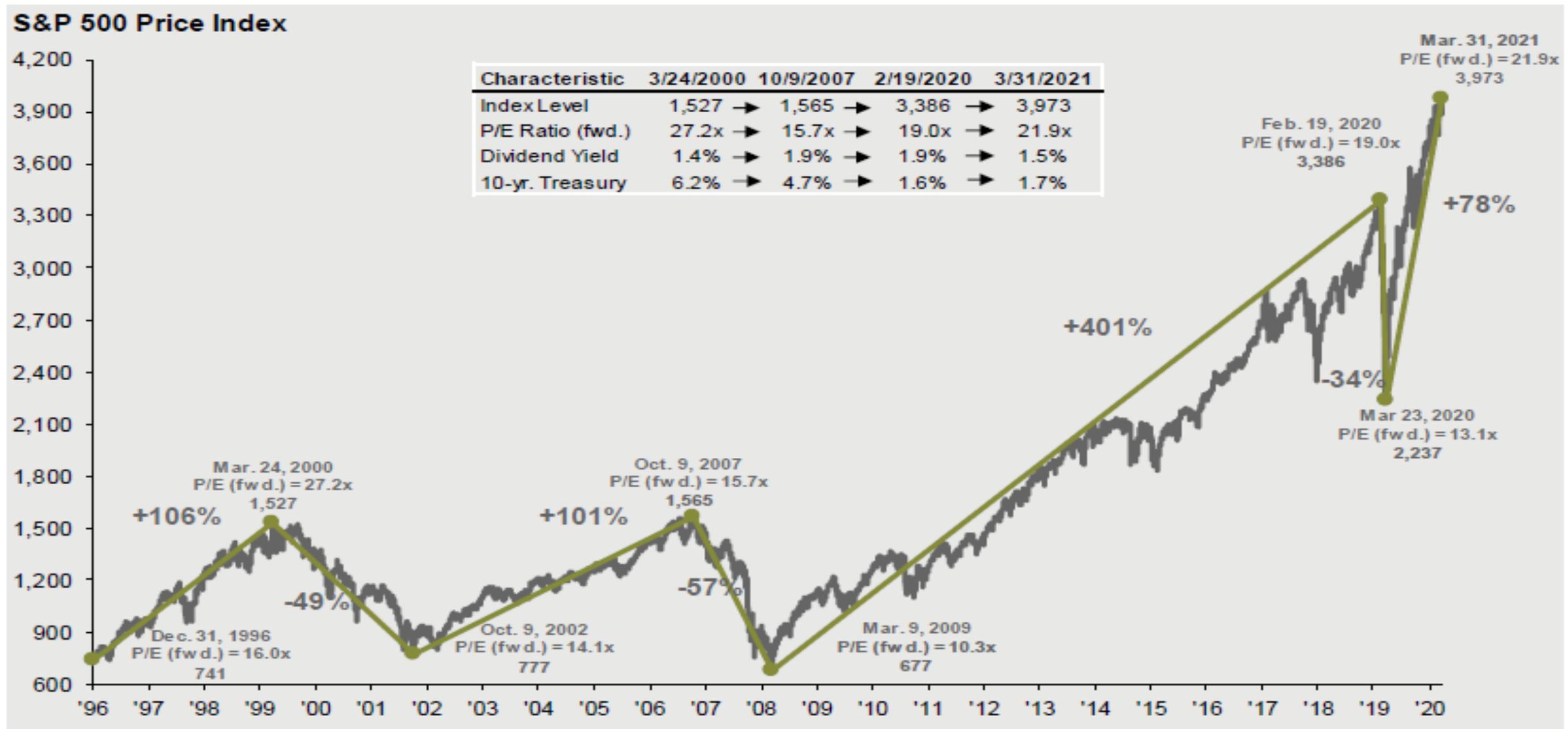
Source: Centers for Disease Control and Prevention, Johns Hopkins CSSE, Our World in Data, J.P. Morgan Asset Management. \*Share of the total population that has received at least one vaccine dose. \*\*Est. Infected represents the number of people who may have been infected by COVID-19 by using the CDC's estimate that 1 in 4.6 COVID-19 infections were reported. \*\*\*Est. Infected & vaccinated only assumes those infected equally likely to be vaccinated as those not infected. Guide to the Markets – U.S. Data are as of March 31, 2021.

# Significant Equity Dispersion Pre and Post Vaccine



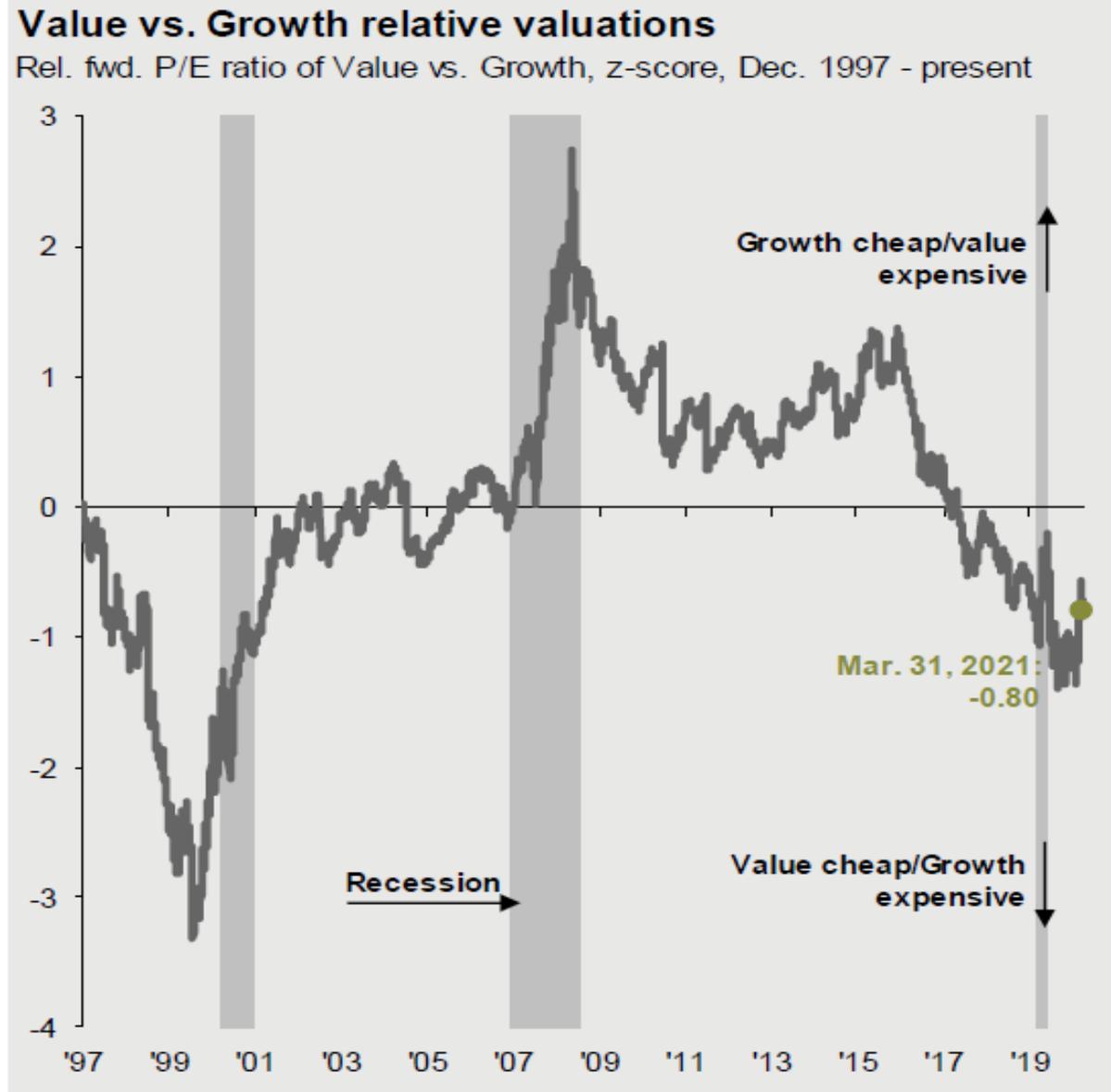
Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management. November 6, 2020 chosen as the last business day before vaccine candidate is revealed to have more than 90% efficacy against the COVID-19 virus in global trials. The company referenced is for illustrative purposes only. Guide to the Markets – U.S. Data are as of March 31, 2021. .

# S&P500 Valuations



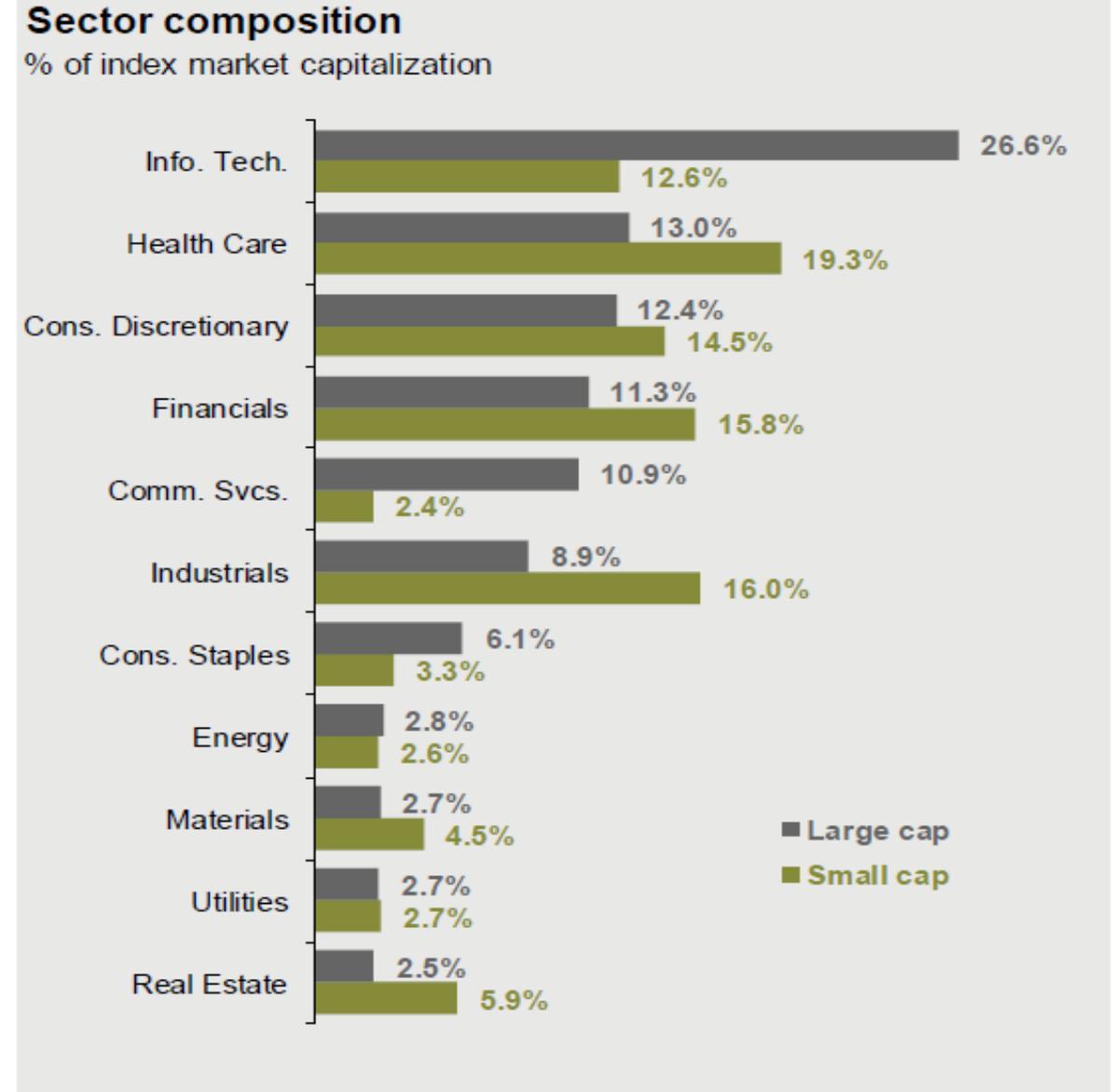
Source: FactSet, Compustat, Federal Reserve, Standard & Poor's, J.P. Morgan Asset Management. Dividend yield is calculated as consensus estimates of dividends for the next 12 months, divided by most recent price, as provided by Compustat. Forward price-to-earnings ratio is a bottom-up calculation based on the most recent S&P 500 Index price, divided by consensus estimates for earnings in the next 12 months (NTM), and is provided by FactSet Market Aggregates. Returns are cumulative and based on S&P 500 Index price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns. Guide to the Markets – U.S. Data are as of March 31, 2021. .

# Value vs. Growth



Source: FactSet, FTSE Russell, NBER, J.P. Morgan Asset Management.

# Large vs. Small Cap



Source: FactSet, FTSE Russell, NBER, J.P. Morgan Asset Management.

# S&P500 Earnings Outlook

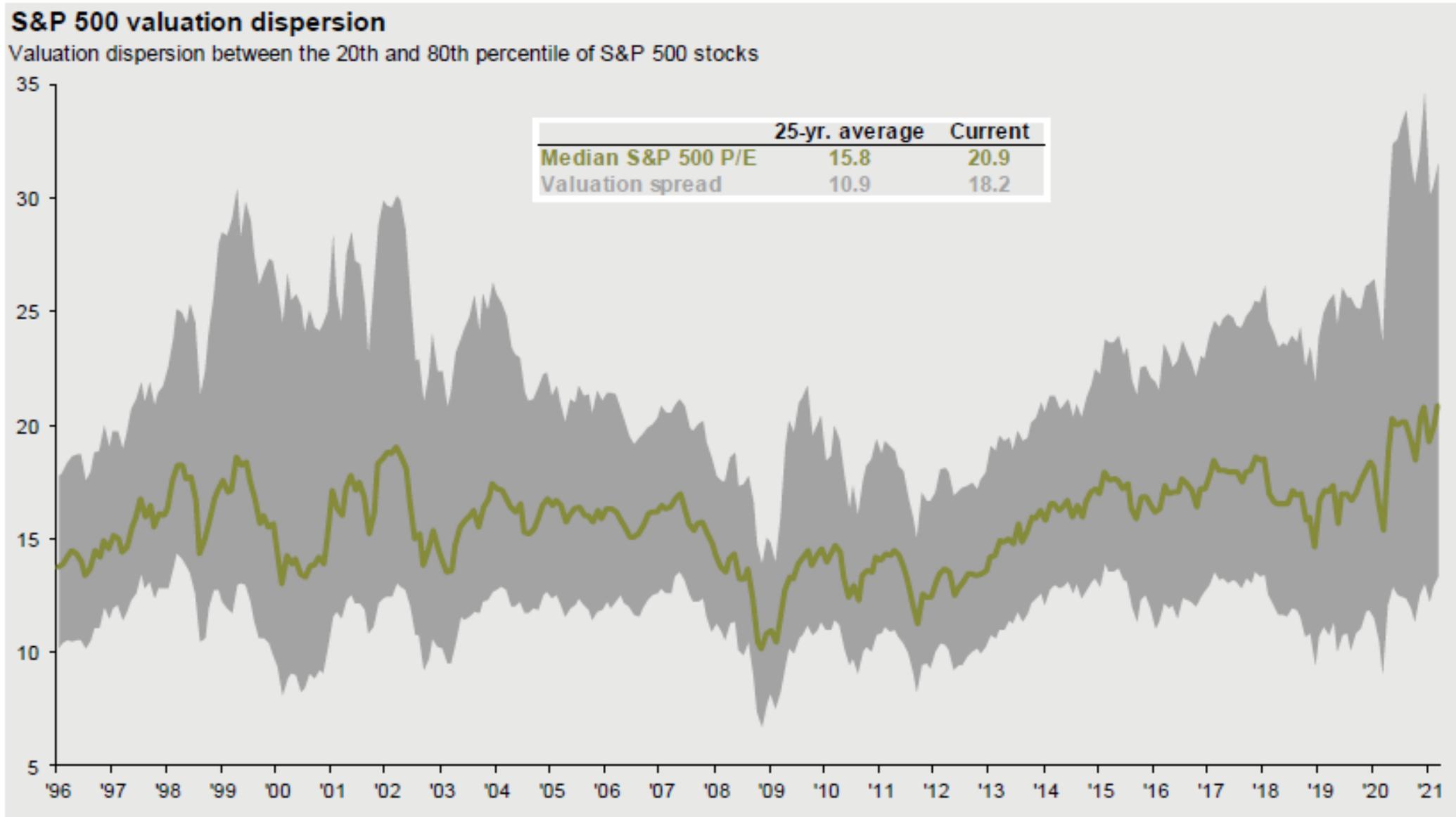
**Figure 4: Percent Change in S&P 500 Index, EPS and P/E**



Note: Change from 6/2/20. Both PE and EPS are on NTM basis  
Source: Standard & Poor's, Thomson Financial, FactSet, Credit Suisse

*Stocks and earnings are all up. (Credit Suisse)*

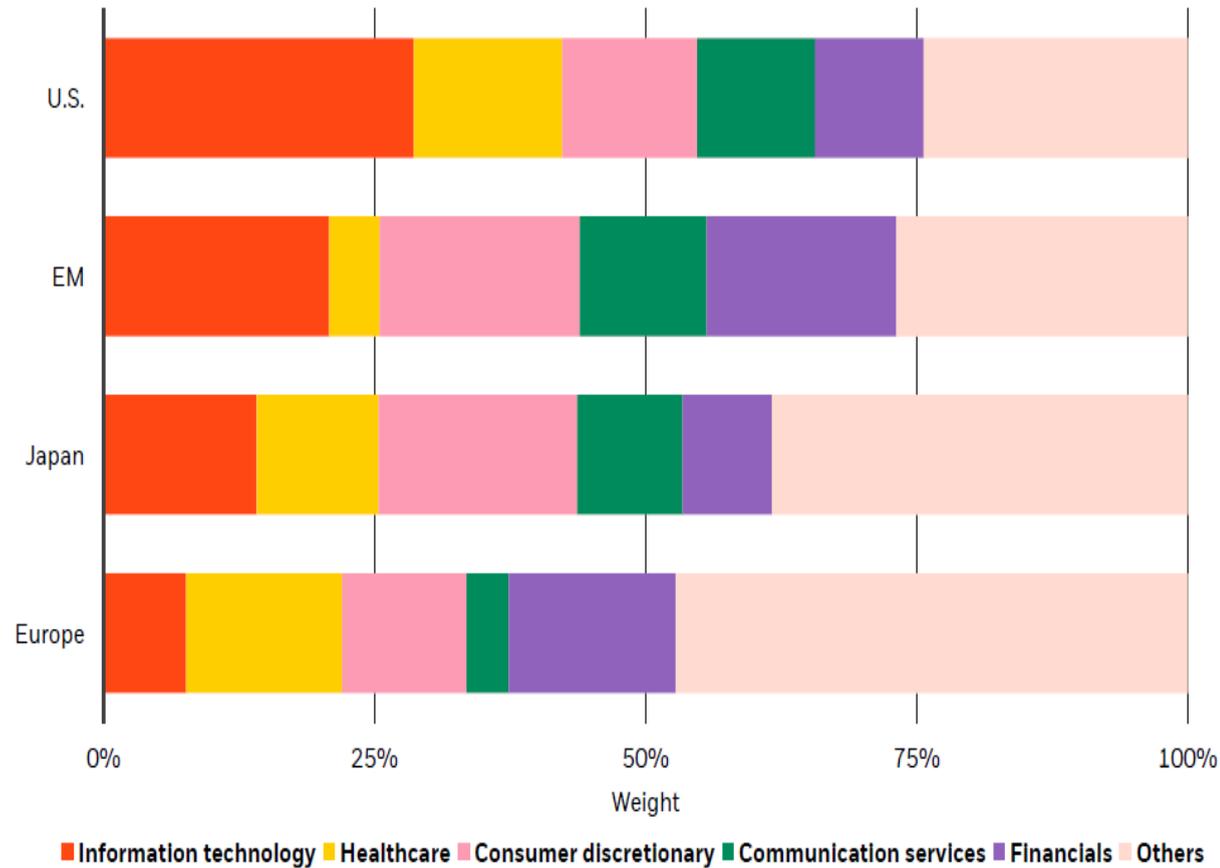
# Dispersion Creates Opportunity



Sources: FactSet, Compustat, Standard & Poor's, J.P. Morgan Asset Management.  
Guide to the Markets – U.S. Data are as of March 31, 2021.

# Remaining Overweight US vs. International Developed Markets

## Sector Composition of MSCI Regional Indexes



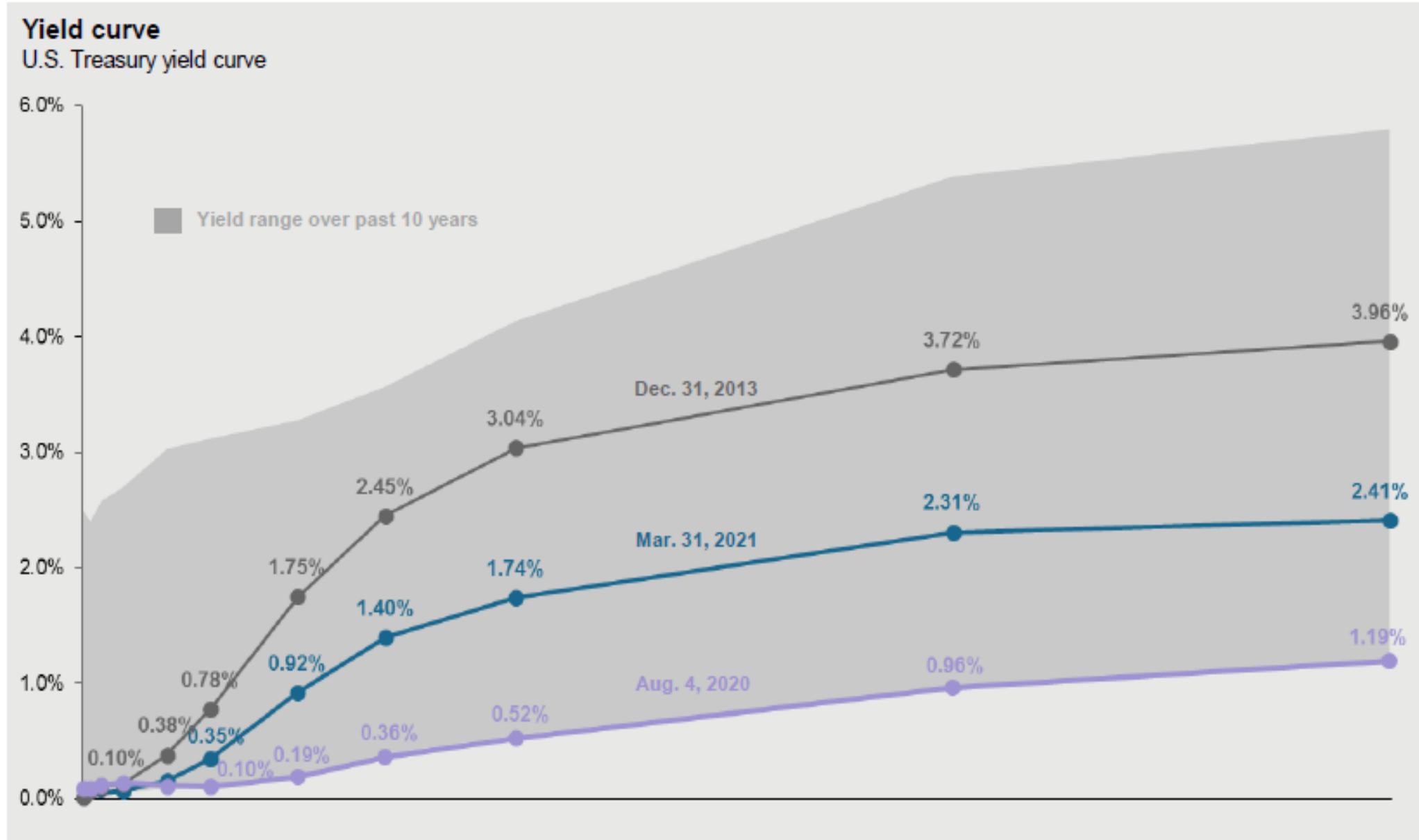
Source: Blackrock Investment Institute, MSCI, January 2021.

## Germany GDP Economic Forecast



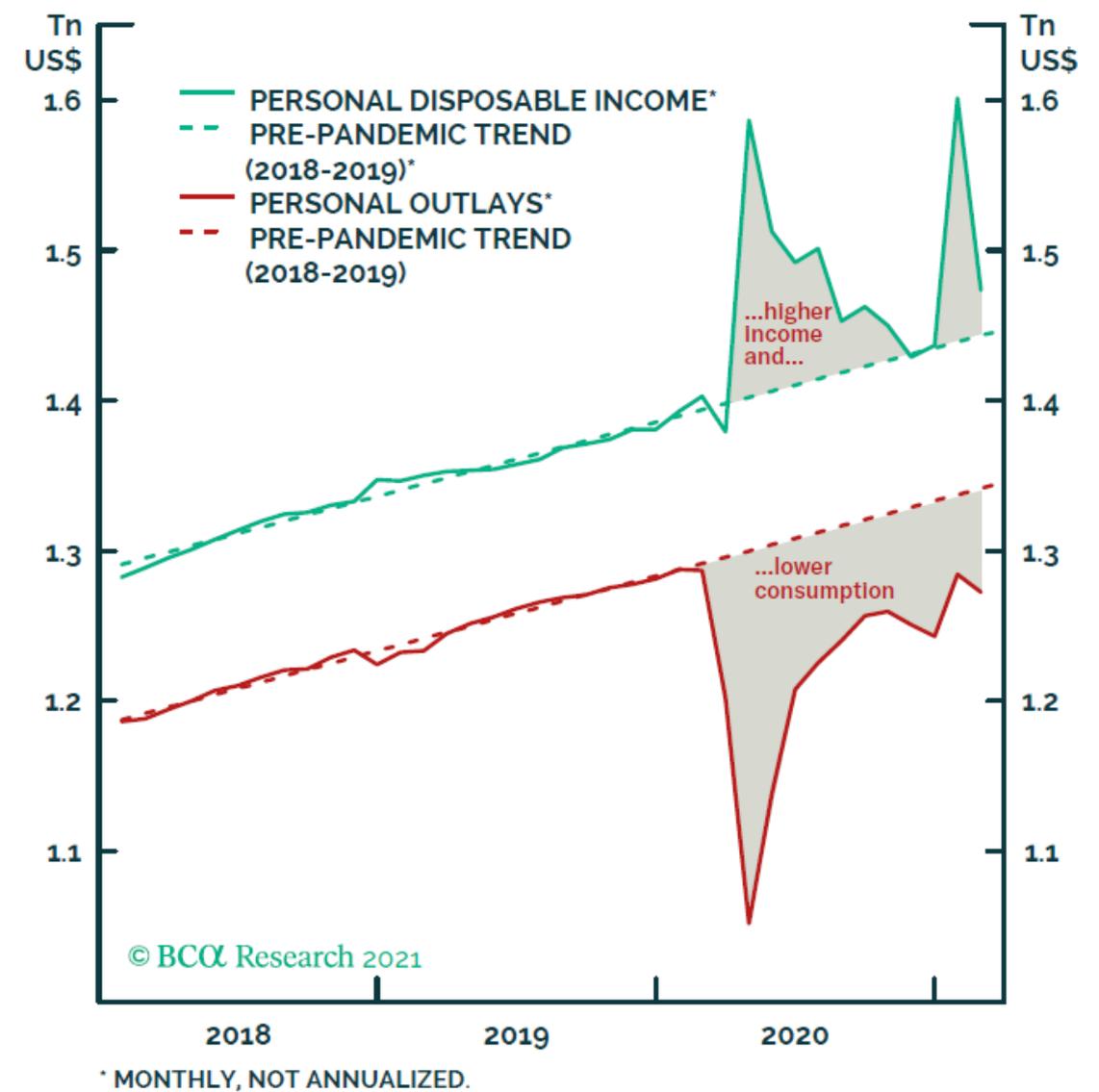
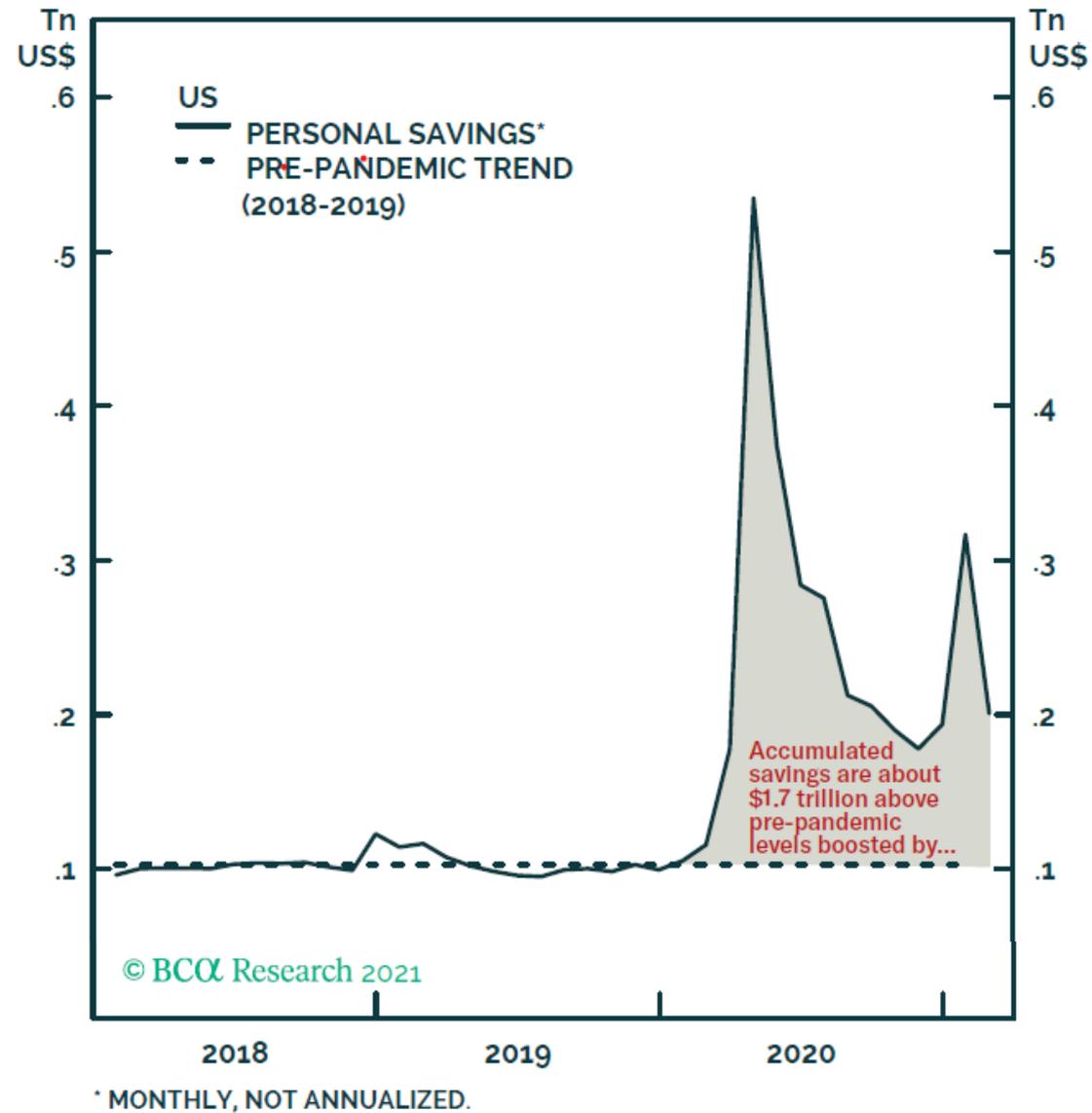
Source: ICI Capital Management; Bloomberg LP.  
Data as of April 5, 2021.

# Interest Rates are Normalizing – Favor Credit

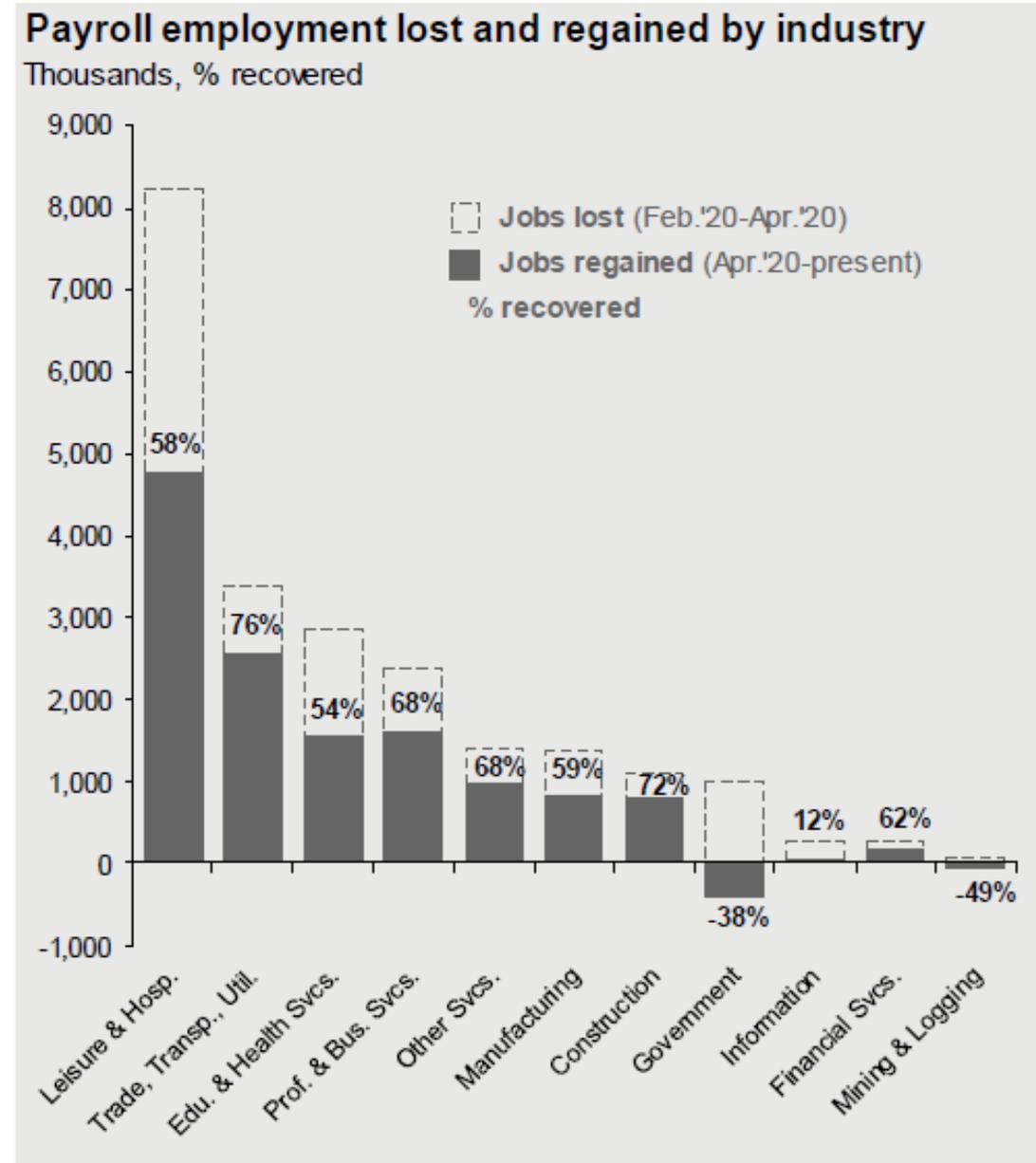
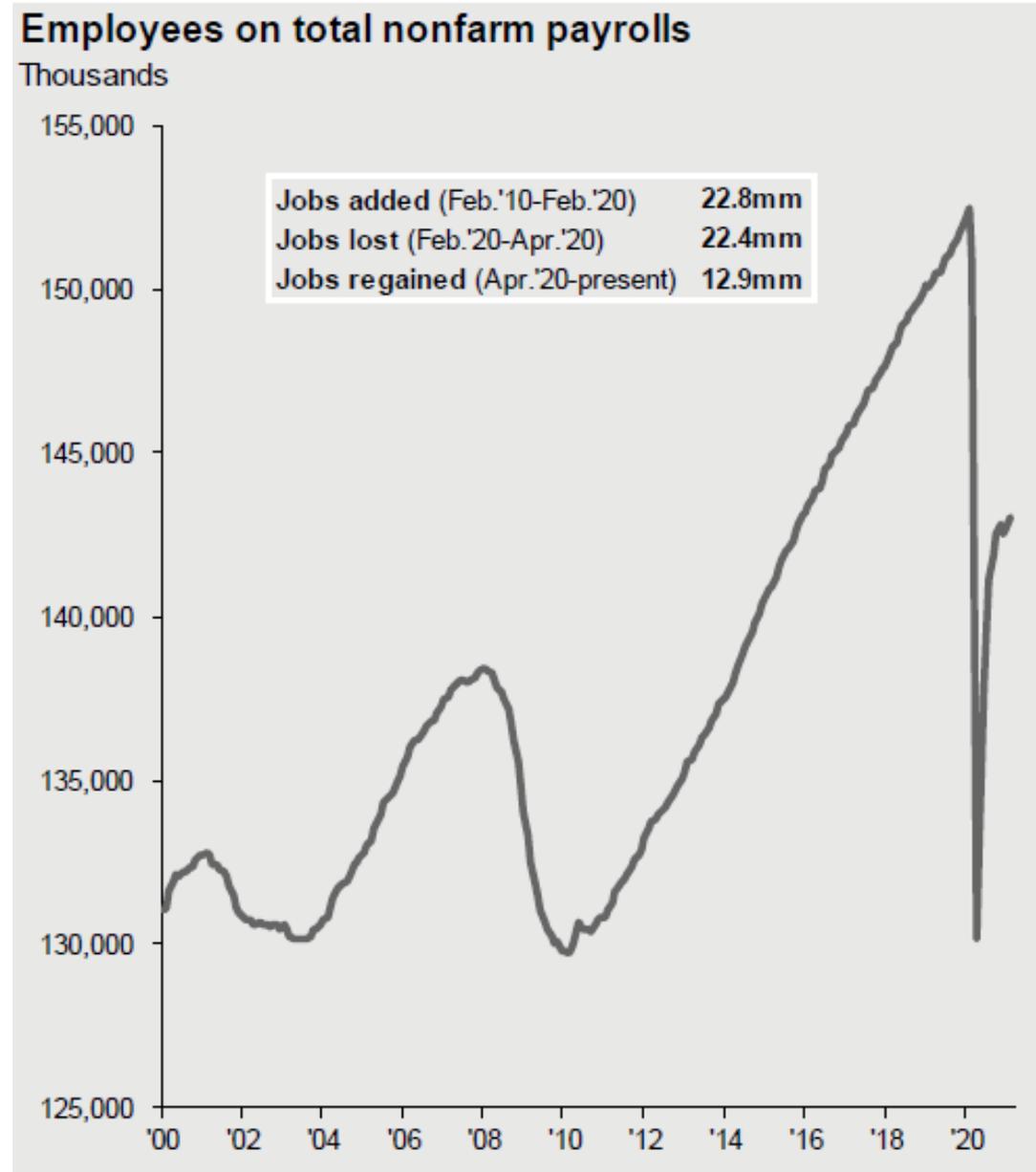


Source: FactSet, Federal Reserve, J.P. Morgan Asset Management. Forecasts are not a reliable indicator of future performance. Positive yield does not imply positive return. Guide to the Markets – U.S. Data are as of March 31, 2021.

# Savings and Spending ~ Pent Up Demand

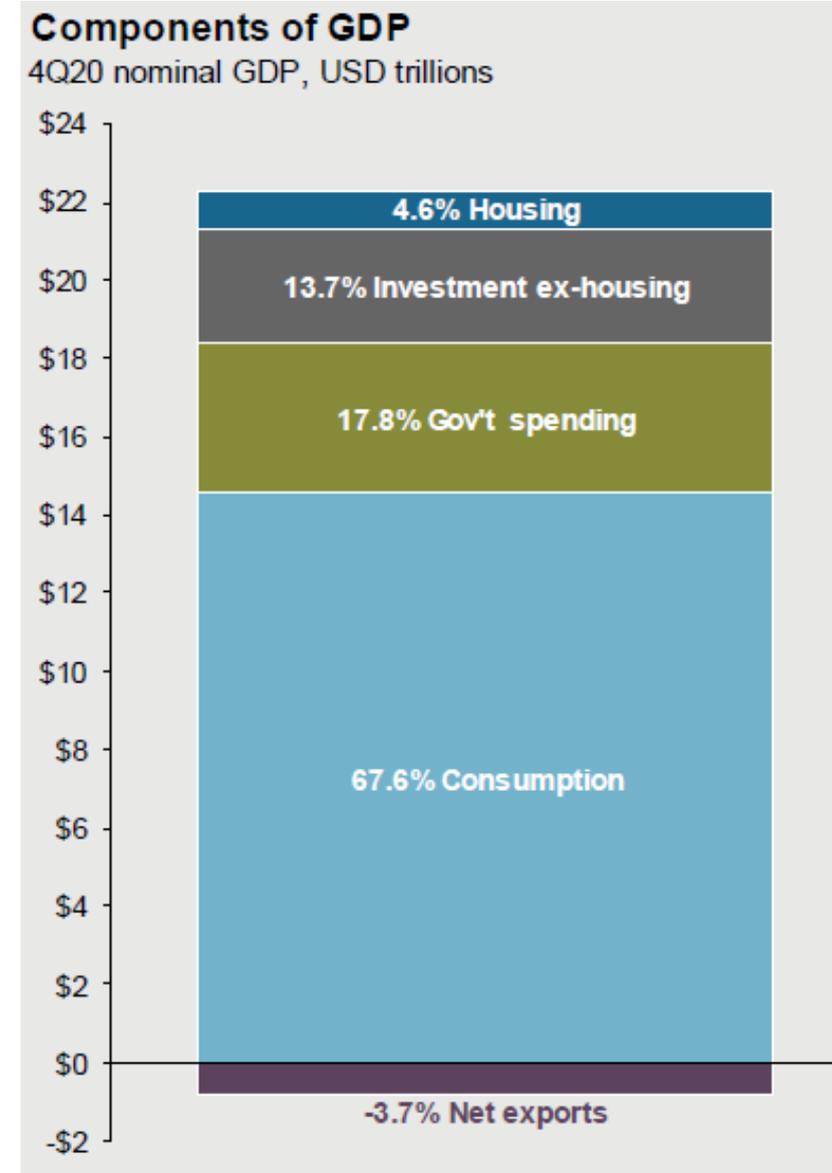
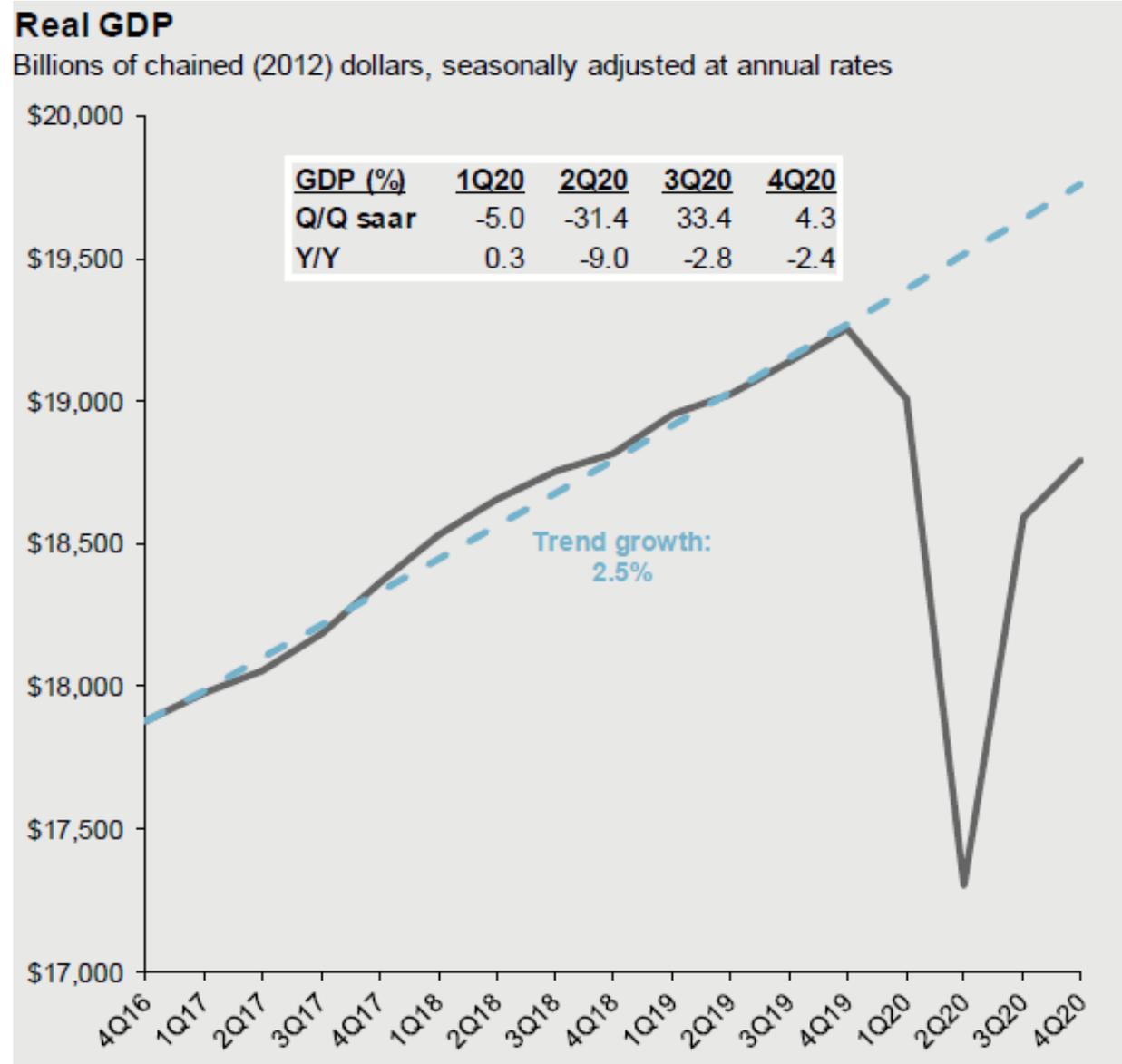


# Unemployment Recovery Occurring More Quickly



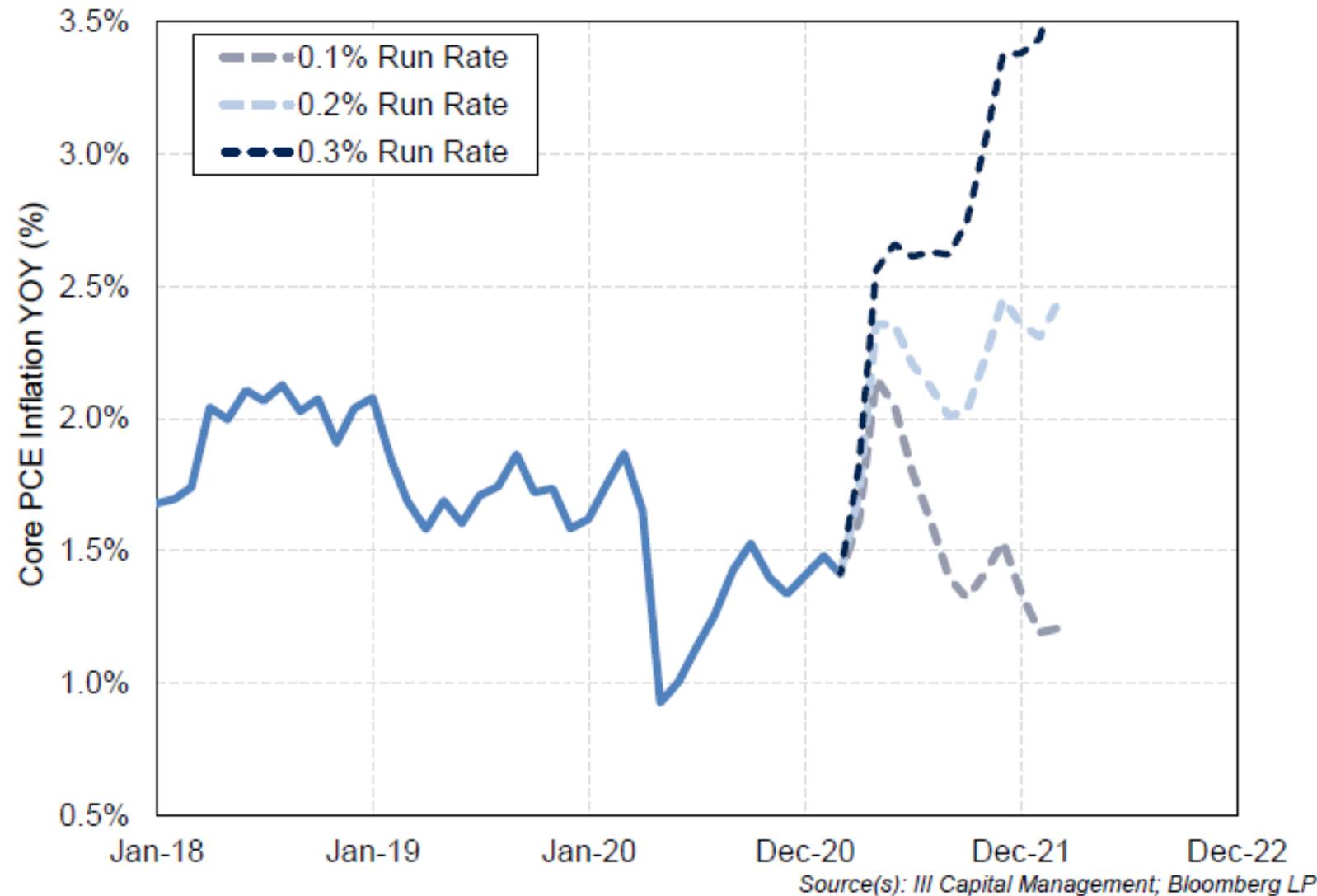
Source: Bureau of Labor Statistics, J.P. Morgan Asset Management. Guide to the Markets – U.S. Data are as of March 31, 2021.

# GDP Consumer Led Recovery into 2021



Source: BEA, FactSet, J.P. Morgan Asset Management. Values may not sum to 100% due to rounding. Forecasts are not a reliable indicator of future performance. Guide to the Markets – U.S. Data are as of March 31, 2021.

# Inflation and Base Effects: Possible Paths



The chart shows the possible paths of core PCE if month-on-month inflation averages 0.1%, 0.2%, or 0.3% in the coming months. It highlights the expected rise in year-on-year inflation that is likely the result of a combination of easing base effects, together with post-pandemic related supply- and demand- related upward pressures on inflation. The results could see core-PCE realize well above the Fed's 2% target for the remainder of 2021 and for markets to bring forward any tapering of asset purchases into late-2021.

# 2021 Conclusions and Risks

- Vaccinations are paving the way to the full re-opening of the US economy. Consumers are ready to spend – consumption drives GDP.
- Fed is staying with low rates for longer and they are looking at “outcomes not outlooks”.
- Remain overweight to US equities relative to developed markets despite higher valuations.
- Underweight traditional bonds relative to credit to mitigate interest rate volatility
- Add Alternatives/Private Market exposures to provide diversification of returns and potential for portfolio income
- Risks: Virus/vaccine situation, corporate and individual tax rates, and longer-term inflation concerns

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