

Weekly Market Recap

The week in review

- Nonfarm payrolls rose by 150K
- ISM manufacturing PMI fell to 46.7

The week ahead

- Senior Loan Officer Opinion Survey
- University of Michigan Consumer Sentiment

Thought of the week

In last Wednesday's FOMC press conference, Fed Chair Powell acknowledged that wage inflation has "come down significantly" but suggested economic and labor market conditions likely need to come further into balance to bring inflation back to target. With this in mind, some may fear that continued labor market strength could stall further progress on wage growth and inflation. Importantly, the October Jobs report showed a welcomed decline in average hourly earnings (AHE) to 4.1% y/y, down meaningfully from last year's peak of 5.9%. That said, while wage growth should normally be above CPI inflation due to productivity gains, 4.1% growth still seems higher than what is consistent with the Fed's 2% PCE target. However, as pandemic-related distortions continue to recede from the labor market, wage growth could see further moderation even if the labor market remains tight.

Prior to the pandemic, shifts in the composition of the labor market, measured by each sector's share of weekly hours worked, had little impact on wages. However, the labor market shifted rapidly at the onset of the pandemic as lower paying jobs in industries like leisure and hospitality lost share to higher paying sectors, pushing wages ~2% higher than they would have been without this shock. While the impact of this distortion has eased, further normalization could take another ~50 bps out of wage growth if the composition of the labor market returns to its pre-pandemic mix.

With wage growth already cooling, additional dampening from a reset in the share of hours worked across sectors will be welcomed by the Fed as a sign that inflationary pressures can moderate despite a tight labor market. This, along with further evidence of a slowing economy, makes it more likely that we have seen the last of Fed rate hikes.

Please see important disclosures on next page.

Weekly Data Center

Equities	Level	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
S&P 500	4358	5.88	1.75	15.05	19.14	35.58
Dow Jones 30	34061	5.07	1.75	4.53	8.75	31.69
Russell 2000	4376	7.59	-1.28	1.23	0.51	13.40
Russell 1000 Growth	1821	6.25	2.88	28.58	31.69	30.96
Russell 1000 Value	923	5.67	0.00	1.79	6.02	33.65
MSCI EAFE	2031	4.43	0.06	7.66	21.26	20.44
MSCI EM	948	3.13	-0.38	1.77	13.58	-7.74
NASDAQ	13478	6.62	1.99	29.64	31.47	23.59

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	5.30	1.99	0.68	-0.53	2.99	-13.84
U.S. Corporates	6.00	2.08	0.55	0.56	5.52	-13.56
Municipals (10yr)	3.88	1.59	0.94	-0.64	4.03	-4.33
High Yield	8.91	2.76	1.26	7.20	9.86	5.48

Key Rates	Levels (%)					
	11/3/23	10/27/23	9/29/23	12/30/22	11/3/22	11/3/20
2-yr U.S. Treasuries	4.83	4.99	5.03	4.41	4.71	0.17
10-yr U.S. Treasuries	4.57	4.84	4.59	3.88	4.14	0.90
30-yr U.S. Treasuries	4.77	5.03	4.73	3.97	4.18	1.66
10-yr German Bund	2.65	2.84	2.82	2.53	2.24	-0.62
3-mo. LIBOR	5.65	5.64	5.66	4.77	4.53	0.22
3-mo. EURIBOR	3.96	3.95	3.95	2.13	1.73	-0.52
6-mo. CD rate	2.19	2.18	2.21	1.80	1.40	0.28
30-yr fixed mortgage	7.86	7.86	7.53	6.58	7.06	3.01
Prime Rate	8.50	8.50	8.50	7.50	7.00	3.25

Index Characteristics			
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
18.03	3.95	1.57	36513
16.31	4.24	2.02	10864
18.89	1.65	1.56	2182
24.67	10.23	0.75	21481
13.70	2.21	2.45	18559
12.51	1.65	3.29	14755
11.51	1.53	3.18	6493
24.82	5.18	0.80	21706

Currencies	Levels		
	11/3/23	12/30/22	11/3/22
\$ per €	1.07	1.07	0.98
\$ per £	1.24	1.20	1.12
¥ per \$	149.36	131.95	148.19

Commod.	Levels		
	11/3/23	12/30/22	11/3/22
Oil (WTI)	82.44	80.16	88.14
Gasoline	3.47	3.09	3.74
Natural Gas	3.47	3.52	4.65
Gold	1994	1814	1629
Silver	22.64	23.95	18.92
Copper	8071	8387	7510
Corn	6.10	6.14	6.59
BBG Idx	239.55	245.89	245.96

Chart of the Week

Impact of changing labor market composition on average hourly earnings
% difference in actual wages from what wages would have been without sectoral composition shifts



Style Returns

	V	B	G
L	5.7	5.9	6.3
M	6.4	6.4	6.3
S	8.5	7.6	6.7
	V	B	G
L	1.8	15.0	28.6
M	0.2	3.6	9.6
S	-0.2	1.2	2.1

S&P 500 Sector Returns

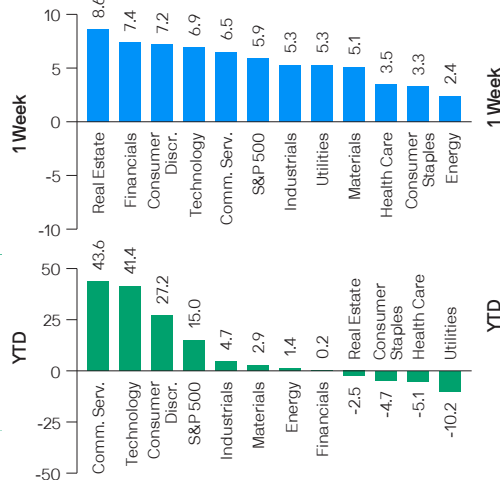




Chart of the Week: Source: Bloomberg, BLS, J.P. Morgan Asset Management. This calculation is derived by comparing actual average hourly earnings for all private employees to average hourly earnings had the sector share of weekly hours worked remained constant at January 2012 levels.

Thought of the week: Source: Bloomberg, BLS, 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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