

# Weekly Market Recap

## The week in review

- New home sales increased less than expected to 661k
- PCE prices rose 0.3% m/m, in line with the expectations
- Core PCE prices up 0.4% m/m, slightly above consensus

## The week ahead

- Job openings
- Nonfarm payrolls
- Unemployment rate

## Thought of the week

Given high short-term yields, many investors seeking income have recently piled into cash. Others, however, have been attracted to high yield (HY) bonds, given yields of close to 8% in a falling inflation, steady growth environment.

After two years of significant outflows, demand for HY has rebounded with January marking a third consecutive month of inflows. On the supply side, HY bond issuance also saw an uptick after hitting a decade low in 2022. However, demand pressures appear to be dominant, leading to a further 10bps compression of spreads year-to-date to 340bps. This spread reduction may also reflect a recent improvement in the quality of the HY index, with the bulk of bonds now rated BB and above. Moreover, near-term defaults should remain subdued as refinancing activity, which dominated the recent supply mix of HY bonds, has extended the maturities of most bonds well past 2027.

That being said, some companies rated CCC or NR are facing refinancing challenges amidst stiff rates, leading to above-average defaults in that sector and dampening the overall recovery rate. While this may not translate to a broader surge in defaults, at least in the short run, investors should recognize that spreads are priced for a perfect economic soft landing – they have only been tighter 5% of the time over the last quarter-century. Given the reinvestment risk of staying in cash, HY bonds present an attractive opportunity to lock in elevated yields. However, tight spreads and a wide dispersion in quality within the HY space point to the need for active management to achieve superior risk-adjusted returns.

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	5137	0.99	7.97	7.97	32.12	38.00
Dow Jones 30	39087	0.00	4.09	4.09	22.24	31.73
Russell 2000	5160	3.00	2.62	2.62	11.13	-4.97
Russell 1000 Growth	2229	1.27	10.63	10.63	48.41	40.12
Russell 1000 Value	1045	0.72	4.24	4.24	14.75	25.17
MSCI EAFE	2304	0.72	3.25	3.25	15.82	14.98
MSCI EM	1025	-0.29	0.29	0.29	7.34	-17.88
NASDAQ	16275	1.76	8.55	8.55	44.19	22.62

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	4.84	0.47	-1.30	-1.30	4.34	-8.67
U.S. Corporates	5.35	0.22	-1.28	-1.28	6.99	-7.67
Municipals (10yr)	2.96	0.15	-0.45	-0.45	4.65	0.45
High Yield	7.98	0.20	0.47	0.47	11.44	5.56

Key Rates	Levels (%)					
	3/1/24	2/23/24	12/29/23	12/29/23	3/1/23	3/1/21
2-yr U.S. Treasuries	4.54	4.67	4.23	4.23	4.89	0.13
10-yr U.S. Treasuries	4.19	4.26	3.88	3.88	4.01	1.45
30-yr U.S. Treasuries	4.33	4.37	4.03	4.03	3.97	2.23
10-yr German Bund	2.41	2.39	2.00	2.00	2.71	-0.34
SOFR	5.32	5.31	5.38	5.38	4.55	0.02
3-mo. EURIBOR	3.94	3.93	3.91	3.91	2.78	-0.53
6-mo. CD rate	N/A	2.31	2.23	2.23	1.85	0.20
30-yr fixed mortgage	7.04	7.04	6.76	6.76	6.71	3.23
Prime Rate	8.50	8.50	8.50	8.50	7.75	3.25

Index Characteristics				
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)	
20.65	4.57	1.34	43133	
18.35	4.92	N/A	13692	
22.78	1.94	1.32	2562	
27.95	12.14	0.63	26160	
15.54	2.43	2.17	20955	
14.13	1.84	3.01	16589	
12.06	1.62	2.86	7071	
28.15	6.21	0.68	26399	

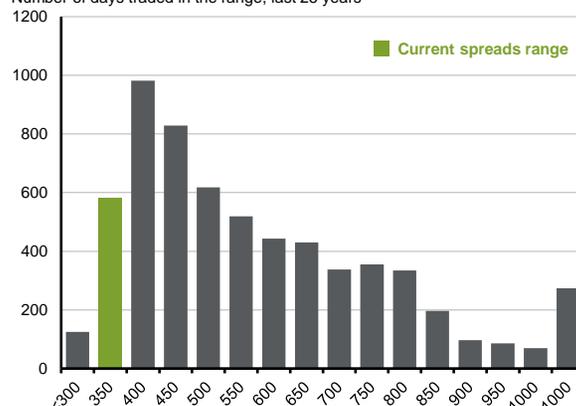
Currencies	Levels		
	3/1/24	12/29/23	3/1/23
\$ per €	1.08	1.10	1.07
\$ per £	1.27	1.27	1.20
¥ per \$	150.13	140.98	136.13

Commod.	Levels		
	3/1/24	12/29/23	3/1/23
Oil (WTI)	78.27	71.89	77.57
Gasoline	3.25	3.12	3.34
Natural Gas	1.86	2.58	2.59
Gold	2050	2078	1841
Silver	22.72	23.79	21.00
Copper	8394	8476	9067
Corn	N/A	N/A	N/A
BBG Idx	225.22	226.43	235.71

## Chart of the Week

### HY spreads frequency distribution

Number of days traded in the range, last 25 years



## Style Returns

	V	B	G
L	0.7	1.0	1.3
M	1.6	1.6	1.7
S	2.2	3.0	3.8
	V	B	G
L	4.2	8.0	10.6
M	3.5	4.7	7.5
S	-0.7	2.6	6.1

## S&P 500 Sector Returns

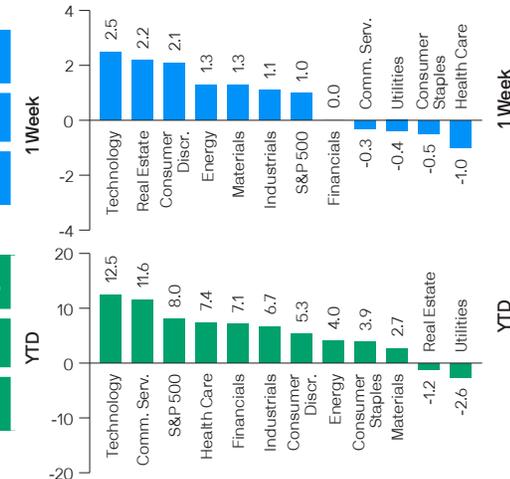




Chart of the Week: Source: Bloomberg, FactSet, J.P. Morgan Asset Management.

Thought of the week: Source: Bloomberg, FactSet, J.P. Morgan Global Research, 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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**Diversification does not guarantee investment returns and does not eliminate the risk of loss.**

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