



Market Insights

A discussion on current Income opportunities on Financial Markets

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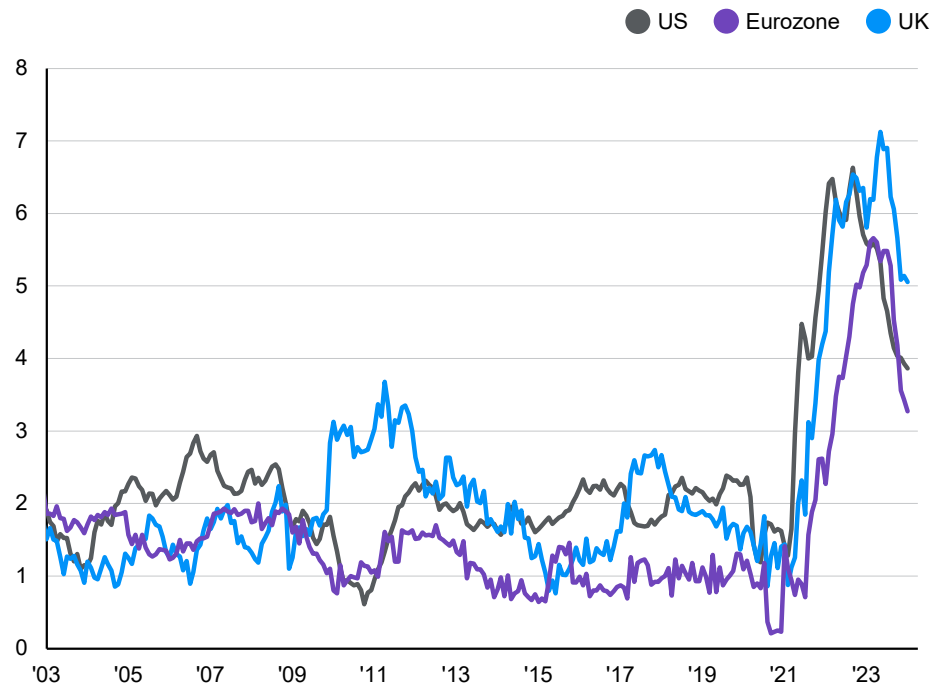
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ASSET MANAGEMENT



We expect inflation to get back to central banks targets, but we also believe that the era of low inflation is over

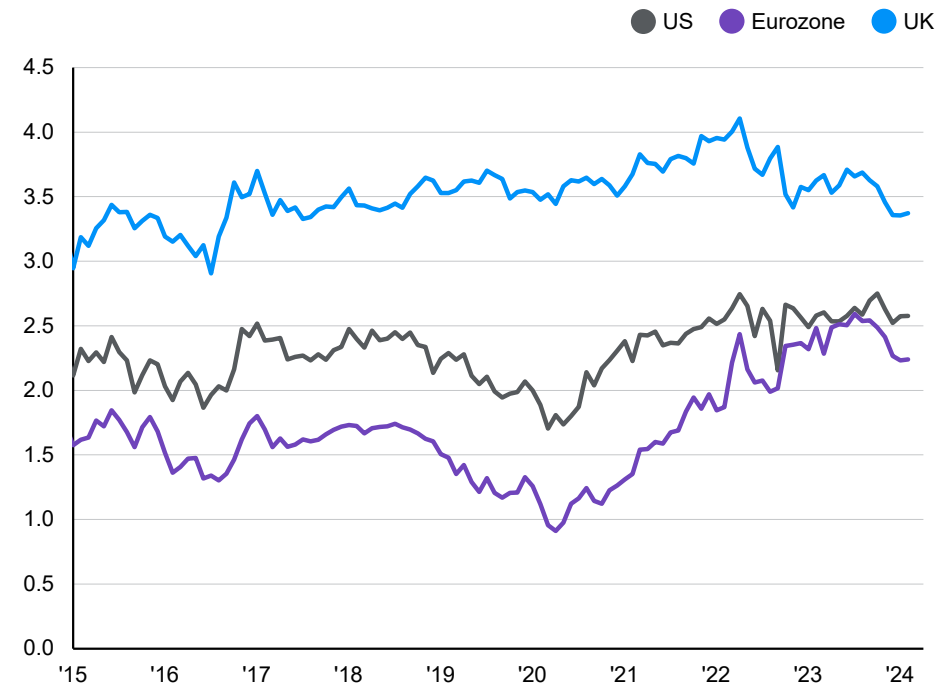
Core inflation

% change year on year



Market-based inflation expectations

%, 5y5y inflation swap



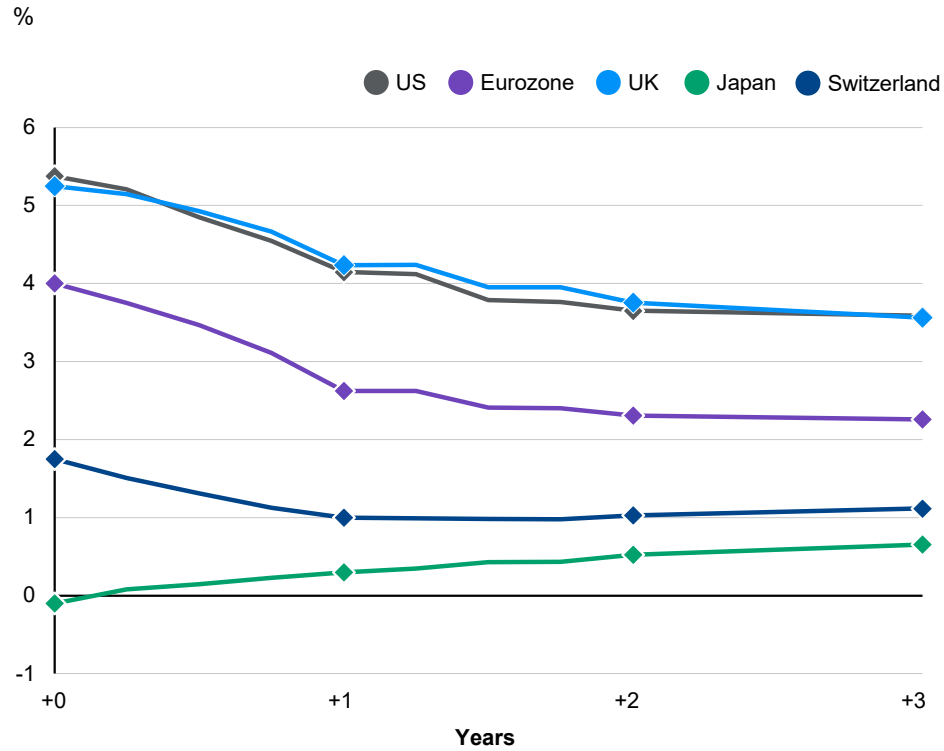
Source: (Left) BLS, Eurostat, LSEG Datastream, ONS, J.P. Morgan Asset Management. Core inflation excludes food and energy in the US, and food, energy, alcohol and tobacco in the eurozone and the UK. (Right) Bloomberg, J.P. Morgan Asset Management. 5y5y inflation swaps represent the market's expectation of five-year average inflation, starting in five years' time. UK inflation swaps use RPI rather than CPI as the reference point, which partly explains why the UK 5y5y is higher than other regions. Strong demand for index-linked Gilts from defined benefit UK pension funds also drives the UK 5y5y higher. Past performance is not a reliable indicator of current and future results. *Guide to the Markets - Europe*. Data as of 22 February 2024.



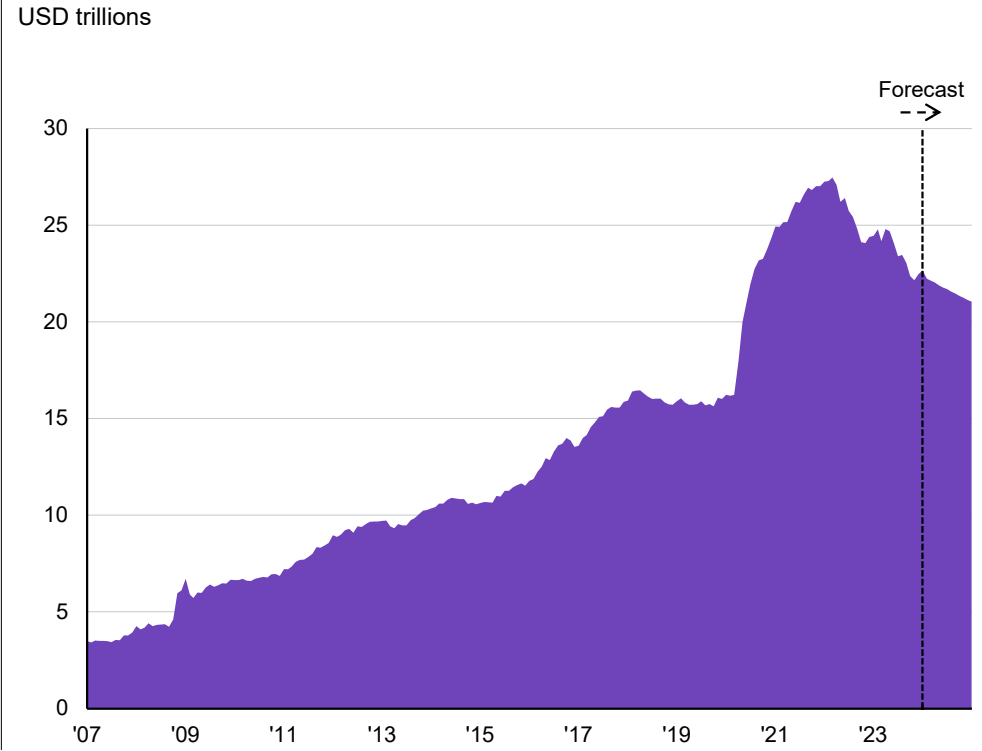
Global monetary policy easing should start in H2

Global economy

Market expectations for central bank policy rates



Global central bank balance sheets



Source: (Left) Bloomberg, J.P. Morgan Asset Management. Expectations are calculated using OIS forwards. (Right) BoE, BoJ, ECB, Fed, LSEG Datastream, SNB, J.P. Morgan Asset Management. Global central bank balance sheet is the sum of the balance sheets of the BoE, BoJ, ECB, Fed and SNB. Forecast from J.P. Morgan Asset Management. Past performance is not a reliable indicator of current and future results. *Guide to the Markets - Europe*. Data as of 22 February 2024.

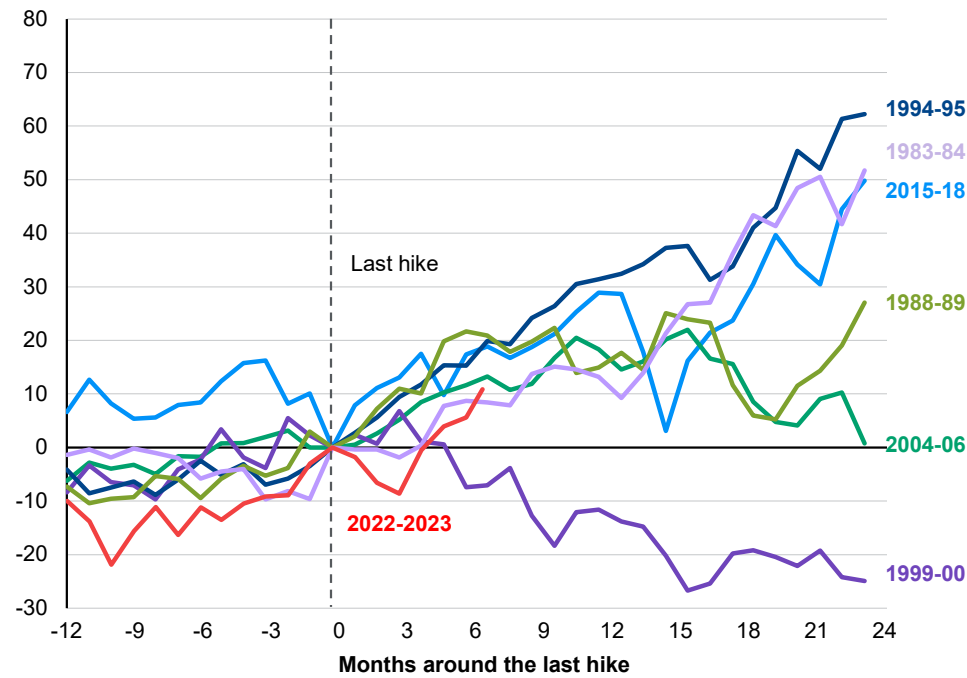


Bond returns are more reliable than equity returns past the peak

Fixed income

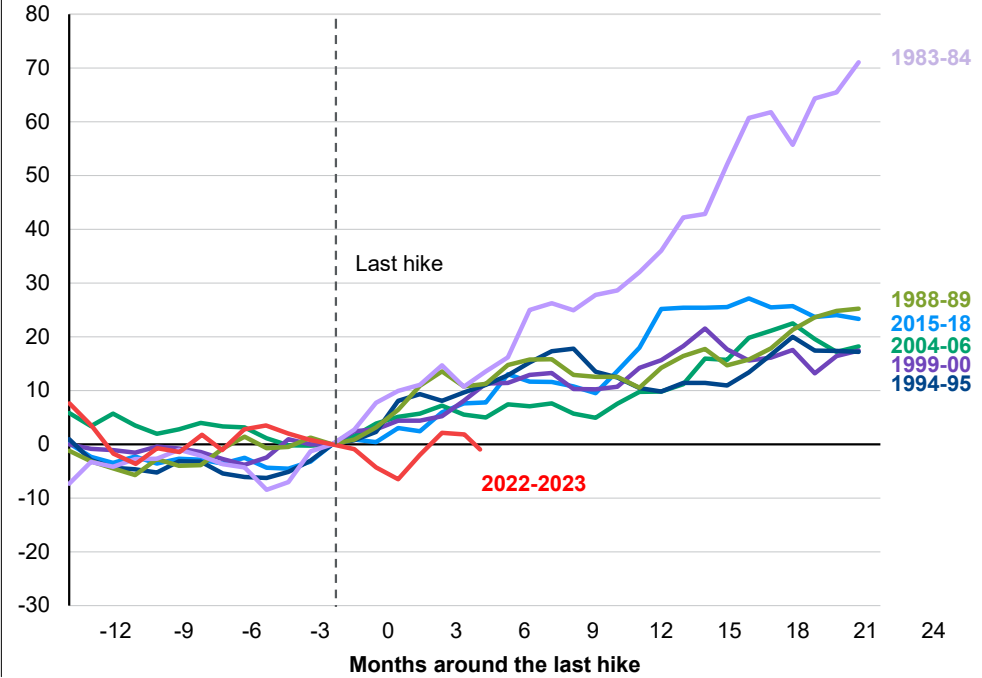
S&P 500 returns at the end of a Fed hiking cycle

% , price return, indexed to zero at the last hike



UST 10-year returns at the end of a Fed hiking cycle

% , total return, indexed to zero at the last hike



Source: Federal Reserve, LSEG Datastream, S&P Global, J.P. Morgan Asset Management. The 2022-2023 cycle assumes that the last hike of the cycle was in July 2023. Past performance is not a reliable indicator of current and future results. *Guide to the Markets - Europe*. Data as of 22 February 2024.

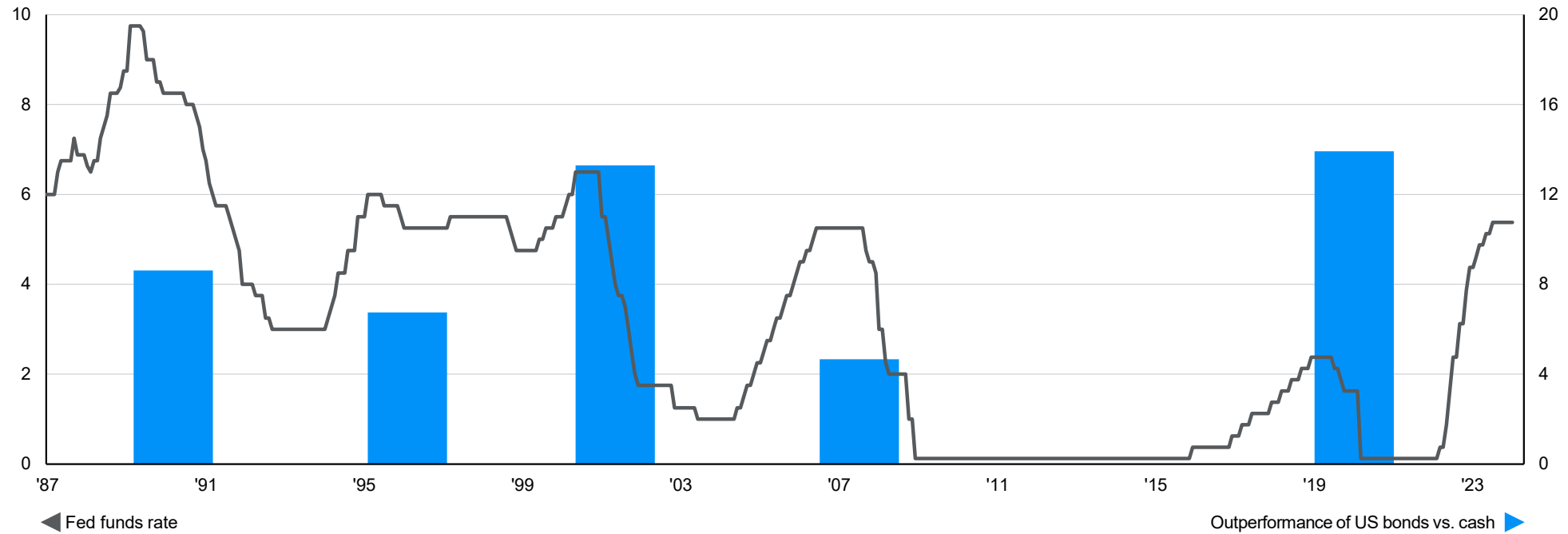


Cash has never outperformed beyond peak rates

Fixed income

Relative performance of US bonds vs. cash after interest rate peaks

% (LHS); % points, two-year relative performance of US Aggregate bonds vs. cash (RHS)



Source: Federal Reserve, LSEG Datastream, S&P Global, J.P. Morgan Asset Management. The 2022-2023 cycle assumes that the last hike of the cycle was in July 2023. Past performance is not a reliable indicator of current and future results. Guide to the Markets - Europe. Data as of 22 February 2024.

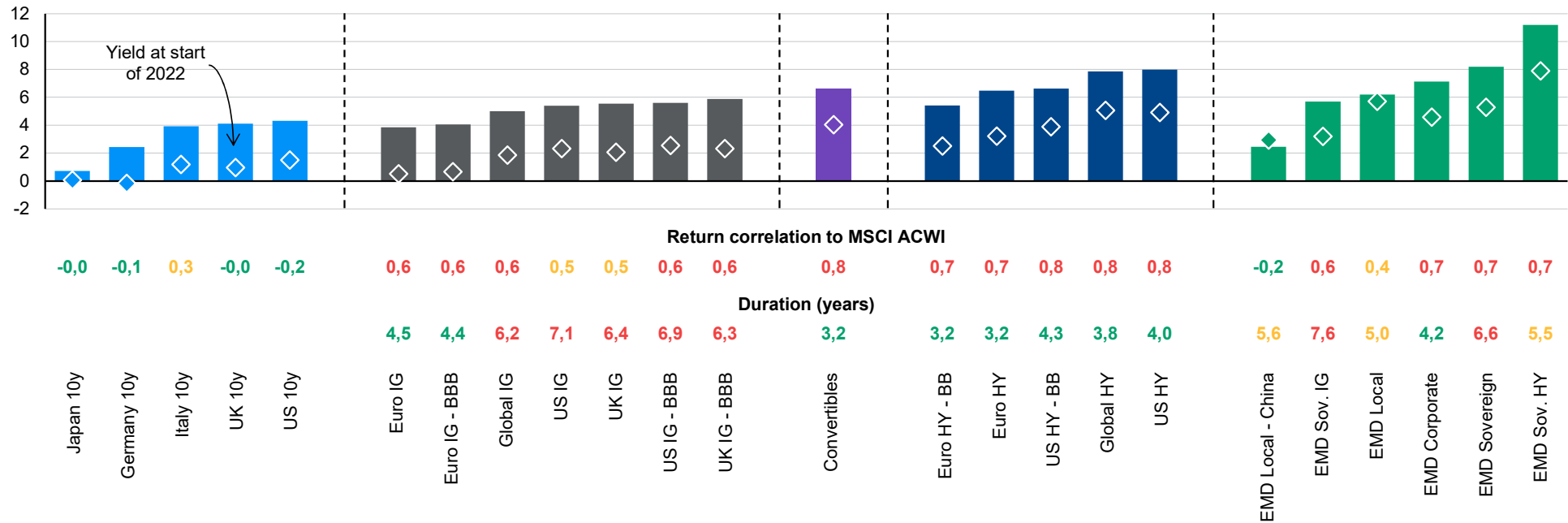


We see opportunities in duration, High Yield and EMD

Fixed income yields

%

● Developed market government bonds
 ● Investment-grade bonds
 ● Convertible bonds
 ● High yield bonds
 ● Emerging market bonds

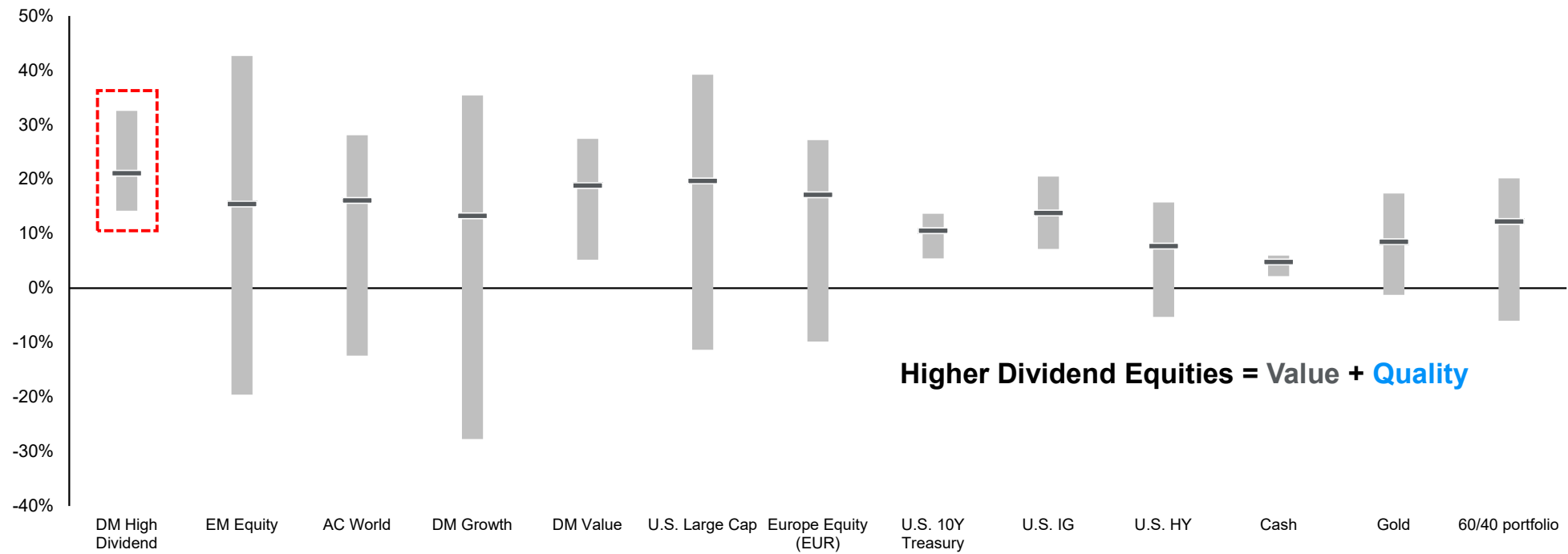


Source: Bloomberg, Bloomberg Barclays, ICE BofA, J.P. Morgan Economic Research, LSEG Datastream, J.P. Morgan Asset Management. Return correlation to MSCI All-Country World Index is calculated using monthly total returns since 2008. Indices used are as follows: Euro IG: Bloomberg Barclays Euro-Aggregate Corporate; Global IG: Bloomberg Barclays Global Aggregate Corporate; UK IG: Bloomberg Barclays Sterling Aggregate Corporate; US IG: Bloomberg Barclays US Aggregate Corporate; Convertible bonds: Bloomberg Barclays Global Convertible Rate Sensitive hedged to USD; Euro HY: ICE BofA Euro Developed Markets Non-Financial High Yield Constrained Index; Global HY: ICE BofA Global High Yield Index; US HY: ICE BofA US High Yield Constrained Index; EMD corporate: CEMBI Broad Diversified; EMD local: GBI-EM Global Diversified; EMD local - China: J.P. Morgan GBI-EM Broad Diversified China; EMD sovereign: EMBI Global Diversified; EMD sov. IG: EMBI Global Diversified IG; EMD sov. HY: EMBI Global Diversified HY. Past performance is not a reliable indicator of current and future results. *Guide to the Markets - Europe*. Data as of 22 February 2024.

High dividend equities have performed well after past hiking cycles

Asset class returns following the end of rate hikes

Average returns, and range of returns*, 12m after the past four US Federal Reserve rate hiking cycles ended



Source: FactSet, U.S. Federal Reserve, J.P. Morgan Asset Management. DM High Dividend refers market cap weighted returns in USD for constituents in the MSCI World Index between the 50th and 90th percentiles of trailing 12m dividend yield. Also used are the MSCI AC World Index (AC World), MSCI Emerging Markets Index (EM Equity), MSCI World Growth Index (DM Growth), MSCI World Value Index (DM Value), S&P 500 Index (U.S. Large Cap), Russell 2000 Index (U.S. Small Cap), MSCI Europe Index (Europe Equity), Bloomberg U.S. Treasury Bellwethers 10Y (U.S. 10Y Treasury), Bloomberg U.S. Corporate Investment Grade Index (U.S. IG), Bloomberg U.S. Credit Corporate High Yield (U.S. HY), Bloomberg U.S. Treasury Bills 1-3M (Cash), 60% AC World and 40% Global Bonds (60/40 portfolio). *Total returns in USD are used, unless otherwise specified. Bars refer to the historic spectrum of returns, lowest to highest. Data reflects most recently available as of 31 December 2023. Starting periods for returns analysis are: 01/02/1995, 16/05/2000, 29/06/2006, 22/12/18. Past performance is not a reliable indicator of current and future results.

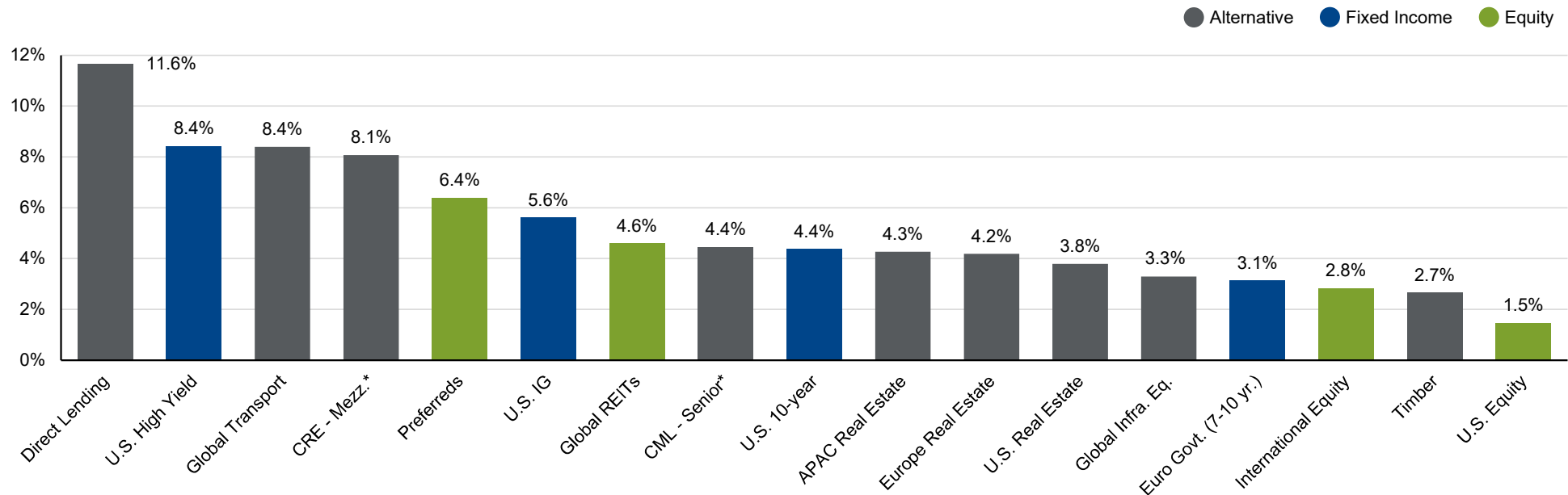


Income opportunities on financial markets

Alts in aggregate

Asset class yields

%



Source: BAML, Bloomberg, Clarkson, Cliffwater, Drewry Maritime Consultants, FactSet, Federal Reserve, FTSE, MSCI, NCREIF, Wells Fargo J.P. Morgan Asset Management. *CML is commercial mortgage loans. Alternative yields are as of 30 September 2023, except Global Transport and Infrastructure, which are as of 30 June 2023, and CRE – Mezz, which is as of 31 October 2023. CML – Senior: Gilberto-Levy Performance Aggregate Index (unlevered). Mezzanine commercial mortgage loans yield is derived from a J.P. Morgan Survey and U.S. Treasuries of a similar duration. Global Transport: Levered yields for transport assets calculated as the difference between charter rates (rental income), operating expenses, debt amortization and interest expenses, as a percentage of equity value, and are based on a historical 15-year average. Yields for each of the sub-vessel types are calculated and respective weightings are applied to arrive at the current levered yields for Global Transportation; Preferreds: BAML Hybrid Preferred Securities; Direct Lending: Cliffwater Direct Lending Index; U.S. High Yield: Bloomberg US Aggregate Corporate High Yield; Global Infrastructure: MSCI Global Infrastructure Asset Index-Low Risk; U.S. Real Estate: NCREIF Property Index – ODCE; Global REITs: FTSE NAREIT Global REITs; International Equity: MSCI AC World ex-U.S.; U.S. 10-year: 10-year U.S. Treasury yield; U.S. Equity: MSCI USA, Europe Real Estate: Market weighted-avg. of MSCI Global Property Fund Indices – U.K. & Cont. Europe; Asia Pacific (APAC) core real estate: MSCI Global Property Fund Index – Asia-Pacific. Euro Govt. (7-10 yr.): Bloomberg Euro Aggregate Government – Treasury (7-10Y); Timber: NCREIF Timberland Index (U.S.) – EBITDA Return. Guide to Alternatives. Data as of 30 November 2023.



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