



## **JPMORGAN ASSET MANAGEMENT**

# Weekly Market Recap August 31, 2020

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MARKET INSIGHTS

# Weekly Market Recap

U.S. | August 31, 2020

## The week in review

- 2Q20 GDP revised to -31.7% q/q saar
- Headline/Core PCE both at 0.3% m/m
- Durable goods orders rose 11.2% m/m

## The week ahead

- Markit/ISM PMIs
- Employment

## Thought of the week

After dropping -34% from peak to trough earlier this year, the S&P 500 has recovered and hit an all-time high. This advance has primarily been driven by a handful of growth stocks, leading many investors to wonder if value as an investment style has finally met its demise. First, we think it is important to differentiate between investing in value as a style and value investing. That said, many investors have been asking what type of environment would support the outperformance of value relative to growth. In general, our work suggests that value tends to outperform growth in environments where economic growth is accelerating or inflation expectations are rising. However, pandemic-induced shutdowns earlier this year led people to spend more time at home, accelerating trends related to technology and e-commerce, and resulting in the significant underperformance of key value sectors such as energy and financials. Looking ahead, however, this performance gap may begin to narrow; economic growth should accelerate once a vaccine is available and a willingness at the Fed to allow inflation to run hot would both be supportive of value. While there is a secular theme favoring growth and a cyclical theme potentially favoring value, the years of growth outperformance have left it looking more expensive than any time since the tech bubble. As a result, we believe that long-term investors should not underweight value, but take a relatively balanced approach to construct diversified equity portfolios.

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	3508	3.29	13.47	9.97	23.86	52.24
Dow Jones 30	28654	2.64	11.43	2.03	12.74	40.96
Russell 2000	3923	1.69	9.69	-4.55	8.76	19.05
Russell 1000 Growth	1507	3.78	18.09	29.68	45.30	93.79
Russell 1000 Value	746.99	2.73	9.16	-8.59	3.19	15.81
MSCI EAFE	1911	1.69	7.66	-4.25	7.86	8.79
MSCI EM	1122	2.76	13.50	2.52	19.31	12.32
NASDAQ	11696	3.40	16.42	31.17	50.34	92.05

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	1.19	-0.51	0.44	6.60	6.12	16.01
U.S. Corporates	2.03	-0.90	1.40	6.50	6.80	20.36
Municipals (10yr)	1.14	-0.33	1.22	3.72	3.42	13.31
High Yield	5.87	0.75	5.62	1.61	4.82	15.58

Key Rates	Levels (%)					
	8/28/20	8/21/20	6/30/20	12/31/19	8/28/19	8/28/17
2-yr U.S. Treasuries	0.14	0.16	0.16	1.58	1.50	1.33
10-yr U.S. Treasuries	0.74	0.64	0.66	1.92	1.47	2.16
30-yr U.S. Treasuries	1.52	1.35	1.41	2.39	1.94	2.76
10-yr German Bund	-0.42	-0.50	-0.48	-0.19	-0.72	0.36
3-mo. LIBOR	0.24	0.25	0.30	1.91	2.12	1.32
3-mo. EURIBOR	-0.48	-0.49	-0.42	-0.38	-0.42	-0.33
6-mo. CD rate	0.32	0.33	0.35	0.79	0.85	0.43
30-yr fixed mortgage	3.11	3.11	3.29	3.95	3.94	4.11
Prime Rate	3.25	3.25	3.25	4.75	5.25	4.25

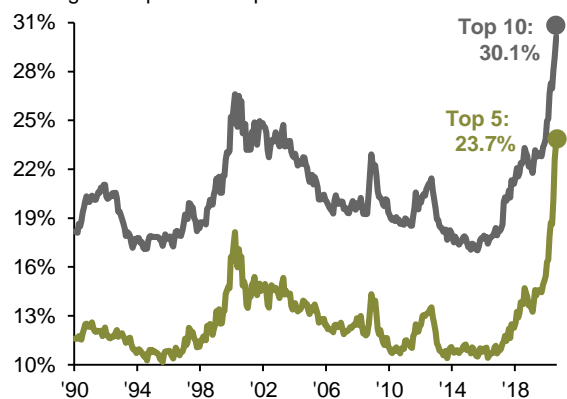
Index Characteristics			
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
22.96	3.63	1.69	62.64
21.67	4.02	2.22	306.11
40.51	1.84	1.62	1.16
32.46	10.21	0.76	54.45
18.35	2.06	2.56	28.09
17.89	1.51	2.79	20.92
15.54	1.67	2.35	16.44
34.90	5.52	0.75	7.16

Currencies	Levels		
	8/28/20	12/31/19	8/28/19
\$ per €	1.19	1.12	1.11
\$ per £	1.33	1.32	1.22
¥ per \$	105.31	108.68	105.90

Commodities	Levels		
	8/28/20	12/31/19	8/28/19
Oil (WTI)	42.97	61.14	55.76
Gasoline	2.18	2.57	2.57
Natural Gas	2.66	2.09	2.24
Gold	1957	1515	1537
Silver	27.35	18.05	18.37
Copper	6728	6156	5653
Corn	3.12	3.77	3.44
BBG Idx	156.08	172.00	163.14

### CHART OF THE WEEK

**Growth stocks have led the recent rally in the S&P 500**  
% weight of top 10 and top 5 stocks in S&P 500 Index

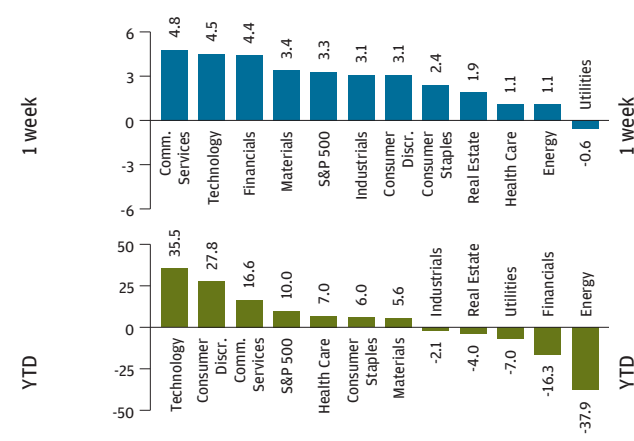


### STYLE RETURNS

	V	B	G
L	2.7	3.3	3.8
M	2.7	2.4	1.8
S	2.5	1.7	0.9

	V	B	G
L	-8.6	10.0	29.7
M	-9.9	0.1	15.2
S	-16.3	-4.5	6.6

### S&P 500 SECTOR RETURNS



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*Chart of the Week:* Source: Standard & Poor's, FactSet, J.P. Morgan Asset Management.

*Thought of the week:* Source: Standard & Poor's, FactSet, 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: Barclays US Aggregate; provided by: Barclays Capital. Index: Barclays Investment Grade Credit; provided by: Barclays Capital. Index: Barclays Municipal Bond 10 Yr; provided by: Barclays Capital. Index: Barclays Capital High Yield Index; provided by: Barclays 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).

**Past performance does not guarantee future results.**

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

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Unless otherwise stated, all data is as of August 31, 2020 or as of most recently available.

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