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OUR MISSION

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*Registration of an Investment Adviser does not imply any certain level of skill or training.

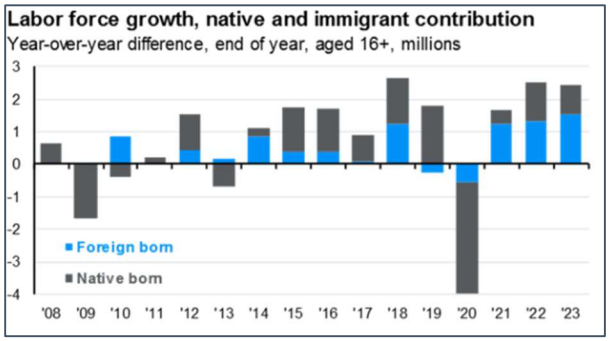
ECONOMIC AND MARKET COMMENTARY

1st Quarter 2024

I. FIRST QUARTER 2024 ECONOMIC RECAP

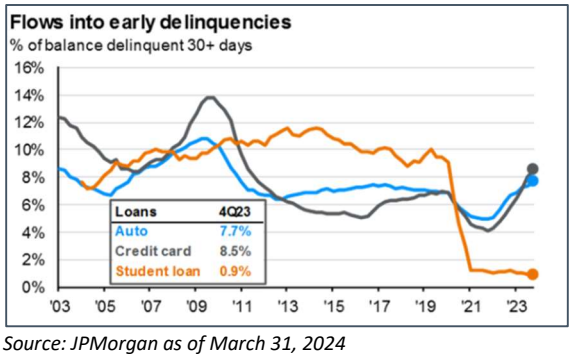
By Frank Smith, III, CFA

The U.S. economy ended 2023 on a strong footing, capping off a year of substantial growth fueled by resilient consumer spending backed by a resilient labor market (refer to the chart below). The labor market has demonstrated remarkable resilience, with notable job gains extending into early 2024 and unemployment rates remaining low, reminiscent of the late 1960s. This strong job market has been bolstered by a rebound in labor supply, notably augmented by heightened immigration (refer to the chart below). This influx has aided in balancing labor demand without causing undue wage pressure, thereby assisting in managing inflation.



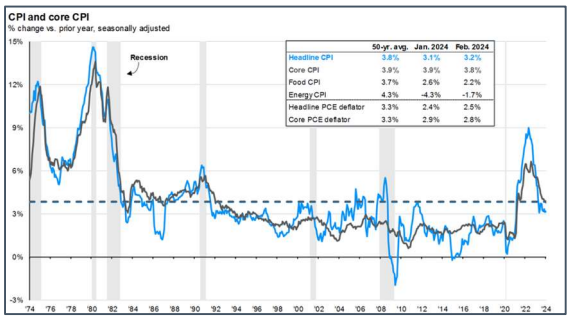
Source: JPMorgan as of March 31, 2024

Indications of financial pressure among consumers are becoming evident, including a rise in delinquencies on auto and credit card loans (refer to the chart below). Nevertheless, the anticipation is that robust job creation and real wage increases will uphold consumer spending.



Source: JPMorgan as of March 31, 2024

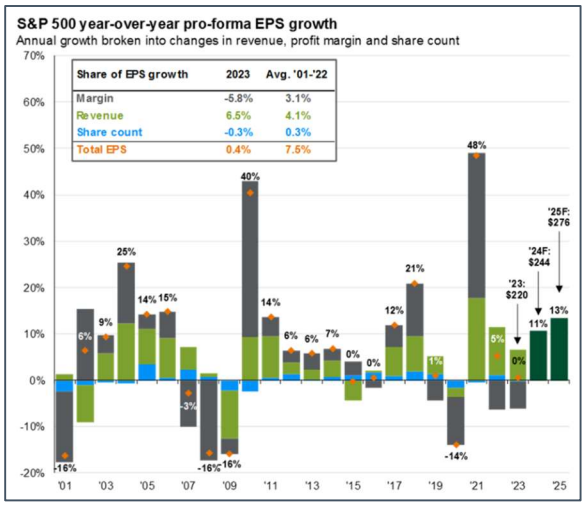
Despite lingering above the targeted 2% threshold (refer to the chart below), inflation has exhibited indications of a gradual decrease, attributed in part to the decline in core goods prices and the stabilization of supply chains. However, prices for core services, notably transportation, have remained elevated, presenting obstacles to further inflation alleviation. Nonetheless, the overall trend toward disinflation is anticipated to continue, propelled by tempered wage increases and reduced energy and food costs, thereby bringing inflation more in line with the Federal Reserve's target.



Source: JPMorgan as of March 31, 2024

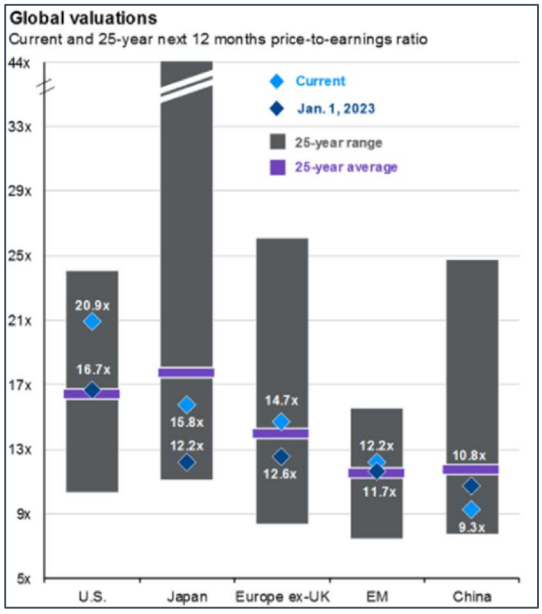
The Federal Reserve maintained interest rates in March but projected monetary easing was in store for the latter half of 2024. This was reflected in the slight majority of Federal Open Market Committee (FOMC) members foreseeing up to three rate reductions in 2024 and a downward revision of anticipated cuts in 2025. Nonetheless, the Fed signaled an upcoming slowdown in quantitative tightening, indicating a strategic shift towards more supportive monetary policies. This change in stance by the Fed influenced a rise in long-term interest rates in the first quarter, though this didn't deter the equity markets from reaching new heights, propelled by the performance of major stocks.

Corporate earnings in 2023 remained flat but exceeded initial expectations of a decline, supported by vigorous economic activity and consumer demand. Earnings growth could face challenges from moderating consumer demand and disinflation. However, diversification in profit sources beyond the "Magnificent 7" companies could provide a broader foundation for earnings growth in 2024.



Source: JPMorgan as of March 31, 2024

Internationally, economic performance varied, with certain regions showing promise for 2024. Despite challenges, opportunities for earnings growth and attractive valuations present themselves in markets outside the U.S., offering the potential for diversification and growth for investors looking beyond domestic borders.



Source: JPMorgan as of March 31, 2024

Despite potential headwinds, including the U.S. election, high policy rates, and geopolitical tensions, the U.S. economy is poised for continued growth in 2024, albeit slower than the previous year's robust expansion. Looking ahead, the U.S. labor market is expected to maintain its vigor, supported by a steady inflow of migrant workers and moderate economic growth. This dynamic is anticipated to stabilize the unemployment rate, contributing to the economy's overall resilience.

II. FIRST-QUARTER 2024 EQUITY MARKET RECAP

By Dodd Williams, CFA

Global markets experienced a robust performance in the first quarter of the year. While U.S. large-cap stocks continued to lead the pack, mid-cap stocks also showed strength, signaling a broader market performance compared to the previous year. The S&P 500 Index, weighted by market capitalization, surged by 10.55%, while the equal-weighted S&P 500 Index, reflecting a more balanced market, posted a gain of 7.91%, a significant improvement over the performance seen in 2023. The Nasdaq Index, heavily weighted toward technology stocks, rose by 9.32%, slightly underperforming the S&P 500. Among U.S. large-cap stocks, the S&P 100 returned 11.23%, with mid-caps (S&P 400) close behind at 9.94%, while small caps (S&P 600) lagged significantly with a return of only 2.45% for the quarter. Internationally, Japan's Nikkei 225 led the way with a gain of 21.43%, followed by the European MSCI Euro, which returned 11.06%, while China's Hang Seng Index experienced a decline of 2.52%.

The performance of the "Magnificent Seven" stocks varied during the first quarter. Nvidia led the pack with an impressive gain of 82.46%, followed by Meta (Facebook) with a gain of 37.33%. Amazon, Microsoft, and Alphabet (Google) also posted positive returns of 18.72%, 12.09%, and 8.05%, respectively. However, Apple experienced a decline of 10.82%, while Tesla saw a substantial drop of 29.25%.

Although there are signs of a broadening rally in U.S. equities, with mid-cap stocks showing strength, there is still a considerable divergence between large-cap and small-cap stocks. Over the past five quarters, large-cap stocks have significantly outperformed small-caps, with returns of 46.69% and 15.01%, respectively. Looking back over the past nine quarters, the variance remains notable. Since January 1, 2022, large-cap stocks have returned 14.28%, while small caps are still in negative territory, down 3.49% over the same period.
Looking ahead, the main challenge for U.S. equity markets in the coming months is expected to be the absence of significant Federal Reserve interest rate cuts. There is a prevailing market perception that stocks rely on low-interest rates to sustain a rally, although the markets demonstrated resilience during the latter half of the Fed's interest rate hike cycle in 2023.

III. FIRST-QUARTER 2024 BOND MARKET RECAP

By Chad McKeithen

In the first quarter, credit spreads tightened, but the rise in Treasury yields resulted in overall total return losses. The U.S. aggregate bond market experienced a total return of -0.78%.

In the early stages of the first quarter, investors exhibited a high level of certainty regarding a 25-basis point FOMC rate cut in March. However, stronger-than-expected economic growth and inflation tempered rate cut expectations as the quarter progressed. Initially projecting seven 25 basis point 2024 rate cuts, the market adjusted its expectations to three by quarter end, more closely aligning with the FOMC's 2024 dot forecast.

During the March 20th FOMC meeting, no rate cut occurred, and while the FOMC dot plot maintained its projection of three cuts for 2024, there was a shift among voters, with some leaning towards forecasting only two cuts. The market noted this adjustment, which subsequently lowered the probability of a rate cut at the June meeting to 60%. Consequently, Treasury yields increased across the yield curve over the quarter. The benchmark 10-year Treasury rate was up 32 basis points, from 3.88% to 4.20%.

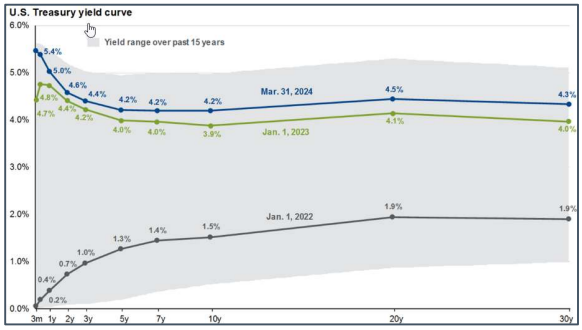
Chart 1 - 1st Quarter Rate & Bond Sector Changes

Rates	Mar 29 Close	Dec 31 2023	Qtr Change
Prime	8.50	8.50	0.00
Effective Fed Funds	5.33	5.32	0.01
3m Tbill	5.34	5.33	0.00
2yr UST	4.60	4.25	0.35
10yr UST	4.20	3.88	0.32
2-10yr UST Spread	-40	-37	-3
2y AAA Muni/10y UST	64.8%	58.9%	5.9%
10y AAA Muni/10y UST	59.9%	58.5%	1.4%
Bond Sector Yields	**Mar 29 Close**	**Dec 31 2023**	**Qtr Change**
U.S. Aggregate	4.85	4.53	0.32
IG Corps	5.30	5.06	0.24
U.S. High Yield	7.66	7.59	0.07
Municipals	3.49	3.22	0.27
MBS	5.04	4.68	0.36
Asset Backed	5.79	5.65	0.14
CLO	10.32	10.59	-0.27

Source: Smith Shellnut Wilson

Bond yields continued to remain near their highest level in 15 years. The blue line in Chart 2 represents the Treasury curve as of March 31, while the shaded grey area illustrates the range of the Treasury curve over the past 15 years.

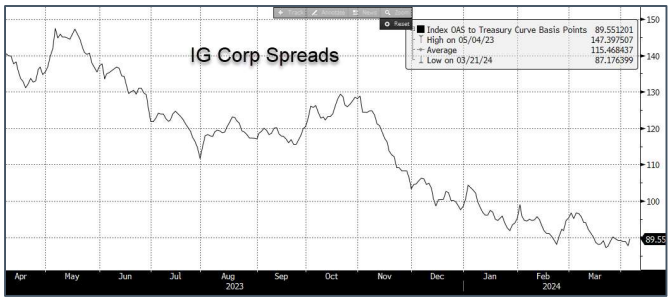
Chart 2 - Treasury Curve Range Over Past 15 Years



Source: JPMorgan as of March 31, 2024

There has been a narrowing of bond credit spreads. For instance, in the first quarter, although the 10-year Treasury yield rose by 32 basis points, yields on investment-grade corporate bonds of similar maturity only saw a 24-basis point increase (Chart 1). Typically, credit spreads, which encompass municipals, corporate bonds, etc., tighten relative to Treasuries as economic conditions improve and investor sentiment towards risk becomes more positive. This trend is evident in Chart 3, which illustrates the tightening of spreads between investment-grade corporate yields and similar-maturity Treasury bonds, over the past year. Due to relatively strong economic growth and a decline in inflation, the spread has decreased from +140 basis points to +89 basis points. The average spread since 2000 has been +150 basis points.

Chart 3 – Investment Grade Corporate Bond Yields Narrow to Treasuries



Source: Bloomberg

IV. INVESTING PHILOSOPHY – KEEP IT CONSISTENT

By Chad McKeithen

Three months ago, market projections suggested that the Federal Open Market Committee (FOMC) would implement seven rate cuts throughout 2024. Fast forward to today, and there is skepticism among many economists, including some FOMC members, regarding the possibility of any rate cuts this year.

The pace of the market's evolution is accelerating with each passing day. Unforeseen global developments, political dynamics, and unexpected market occurrences pose challenges that are difficult to anticipate. However, regardless of whether one is an institutional investor or an individual, historical data consistently shows positive returns over extended periods. Despite this, investors often attempt to predict market movements and, consequently, make decisions based on emotions. This behavior, whether in bond or equity investing, often leads to missed returns.

Consider interest rates as an example. In Charts 1 and 2, we observe the market's poor track record in predicting rates and yields, even over one year. Chart 1 depicts the actual Fed Funds rate (dark blue) dating back to 2002, contrasting it with the market's 12-month futures prediction (light blue) for the overnight rate. Notably, even during the period between 2008 and 2015, when the FOMC clearly communicated its intention to maintain the rate near zero for the foreseeable future, the market continued to anticipate rate hikes by the

FOMC. Consequently, if a bond investor had remained in cash based on these predictions, they would have earned close to zero returns for seven years, missing out on opportunities to reinvest coupon earnings.

Chart 1: 12-Month Fed Fund Futures vs Actual Fed Funds

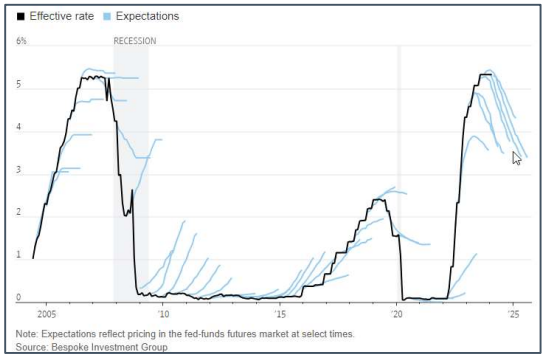


Chart 2 illustrates a similar scenario but focuses on the 10-year Treasury yield. Over the past 25 years, the futures market has consistently failed in predicting the trajectory of the 10-year Treasury yield. Throughout this period, the market consistently anticipated a rise in the 10-year rate. Consequently, basing bond investment decisions on these forecasts would have compelled bond investors to either sell their holdings for fear of rising bond yields or remain in cash, anticipating the opportunity to purchase longer-duration bonds later when the 10-year yield was expected to increase. But since 2000 the 10-year Treasury has returned close to 3.25% annually.

Chart 2: 12-month 10yr Treasury Futures vs Actual 10yr Treasury Bond Yield



When examining equities, we observe a similar trend, but with even more magnifying and concerning implications. Chart 3 depicts S&P 500 returns for each decade dating back to 1930. While some decades fared better than others, over the long term, an investor would have accrued a substantial 17,715% return simply by remaining invested every day. For those adept at market timing, eliminating the 10 worst trading days of each decade could potentially boost returns to a staggering 3,793,787%. However, historical data reveals that the best days in the market typically follow the worst days. The challenge lies in the uncertainty of when these rebounds will occur. While markets rebounded swiftly after 2020, in some decades, recovery took years. The crucial issue arises if an investor misses these pivotal days. Should an investor miss the 10 best days of each decade, the market's return since 1930 dwindles to a mere 28%.

Chart 3 – Difficulties of Trying to Time Equities

Decade	Price return	Excluding worst 10 days per decade	Excluding best 10 days per decade	Excluding best/worst 10 days per decade
1930	-42%	39%	-79%	-50%
1940	35%	136%	-14%	51%
1950	257%	425%	167%	293%
1960	54%	107%	14%	54%
1970	17%	59%	-20%	8%
1980	227%	572%	108%	328%
1990	316%	526%	186%	330%
2000	-24%	57%	-62%	-21%
2010	190%	351%	95%	203%
2020	18%	125%	-33%	27%
Since 1930	**17,715%**	**3,793,787%**	**28%**	**27,213%**

Source: CNBC

Regardless of whether one is invested in bonds or equities, the objective should be to select a strategy and adhere to it consistently. While it's insightful to review economists' forecasts and assess market projections, historical evidence suggests the challenge in accurately pinpointing peaks and troughs in yields or investment returns. Thus, it's prudent to minimize emotional reactions prompted by such forecasts. This doesn't imply that strategies shouldn't be adjusted; indeed, they should evolve based on changing circumstances for both institutional and individual investors. However, any adjustments should be made in response to changing circumstances for the investor rather than as knee-jerk reactions to predictions.

The source for the information in this commentary is SSW, S&P Capital IQ, and Bloomberg

All content is for informational purposes only and should in no way be construed or interpreted as a solicitation to sell or an offer to sell advisory services or products.

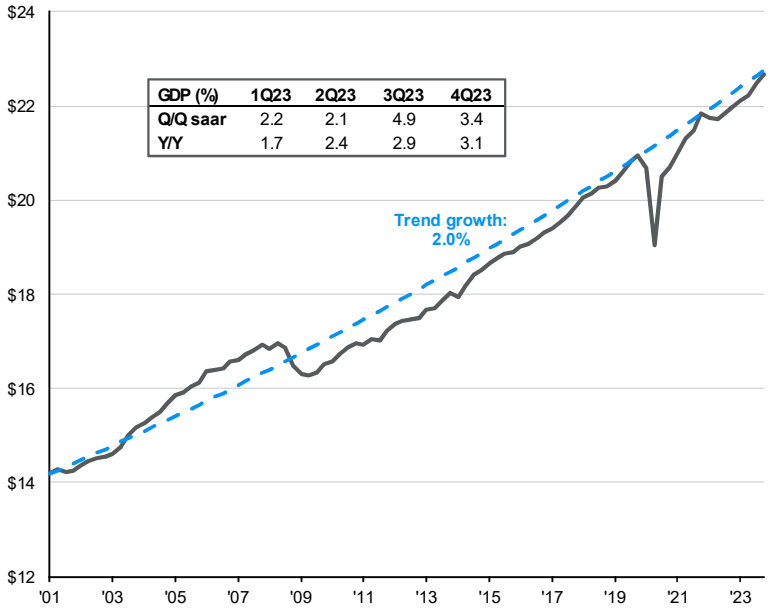
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Economy

Economic growth and the composition of GDP

Real GDP

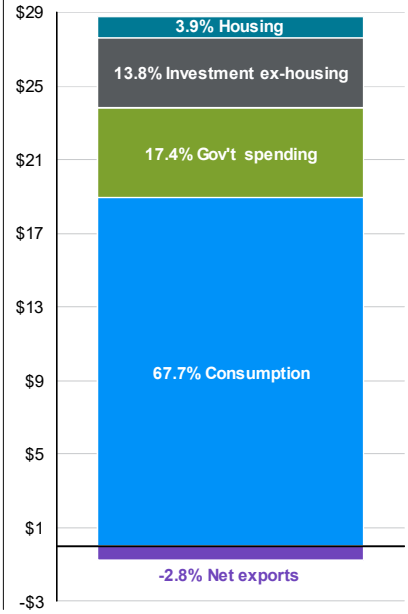
Trillions of chained (2017) dollars, seasonally adjusted at annual rates



GDP (%)	1Q23	2Q23	3Q23	4Q23
Q/Q saar	2.2	2.1	4.9	3.4
Y/Y	1.7	2.4	2.9	3.1

Components of GDP

4Q23 nominal GDP, USD trillions



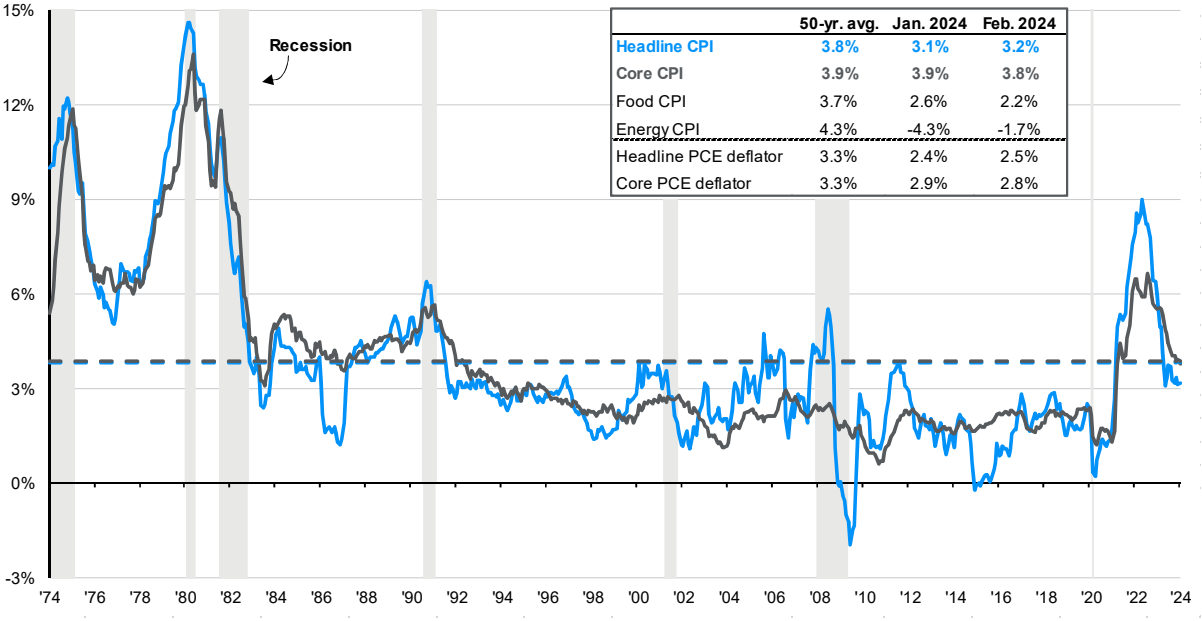
Source: BEA, FactSet, J.P. Morgan Asset Management. Values may not sum to 100% due to rounding. Trend growth is measured as the average annual growth rate from business cycle peak 1Q01 to business cycle peak 4Q19.
Guide to the Markets – U.S. Data are as of March 31, 2024.

Economy

Inflation

CPI and core CPI

% change vs. prior year, seasonally adjusted



	50-yr. avg.	Jan. 2024	Feb. 2024
Headline CPI	3.8%	3.1%	3.2%
Core CPI	3.9%	3.9%	3.8%
Food CPI	3.7%	2.6%	2.2%
Energy CPI	4.3%	-4.3%	-1.7%
Headline PCE deflator	3.3%	2.4%	2.5%
Core PCE deflator	3.3%	2.9%	2.8%

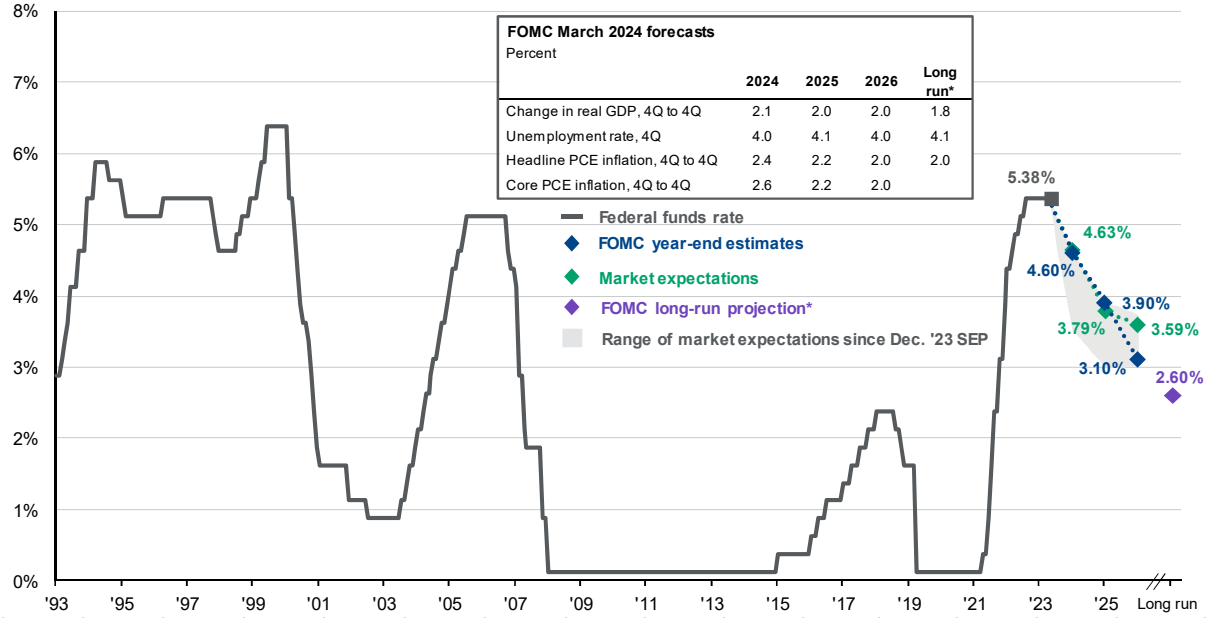
Source: BLS, FactSet, J.P. Morgan Asset Management.
CPI used is CPI-U and values shown are % change vs. one year ago. Core CPI is defined as CPI excluding food and energy prices. The Personal Consumption Expenditure (PCE) deflator employs an evolving chain-weighted basket of consumer expenditures instead of the fixed-weight basket used in CPI calculations.
Guide to the Markets – U.S. Data are as of March 31, 2024.

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The Fed and interest rates

Federal funds rate expectations

FOMC and market expectations for the federal funds rate

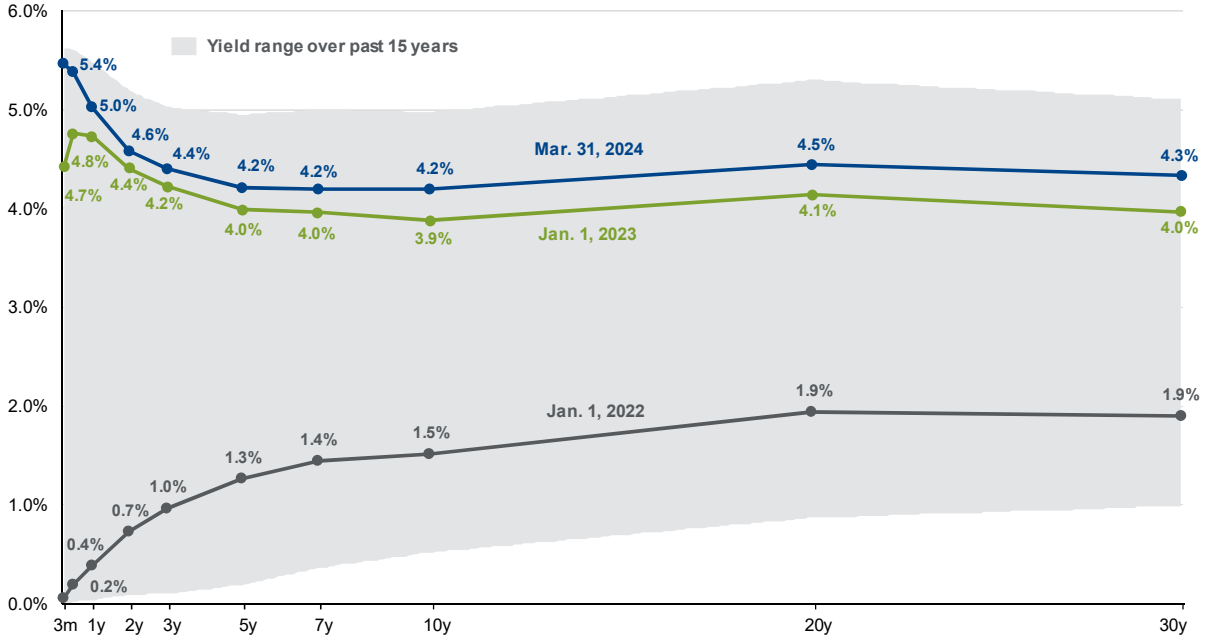


Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.
Market expectations are based off of USD Overnight Index Swaps. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.
Guide to the Markets – U.S. Data are as of March 31, 2024.

Fixed Income

Yield curve

U.S. Treasury yield curve



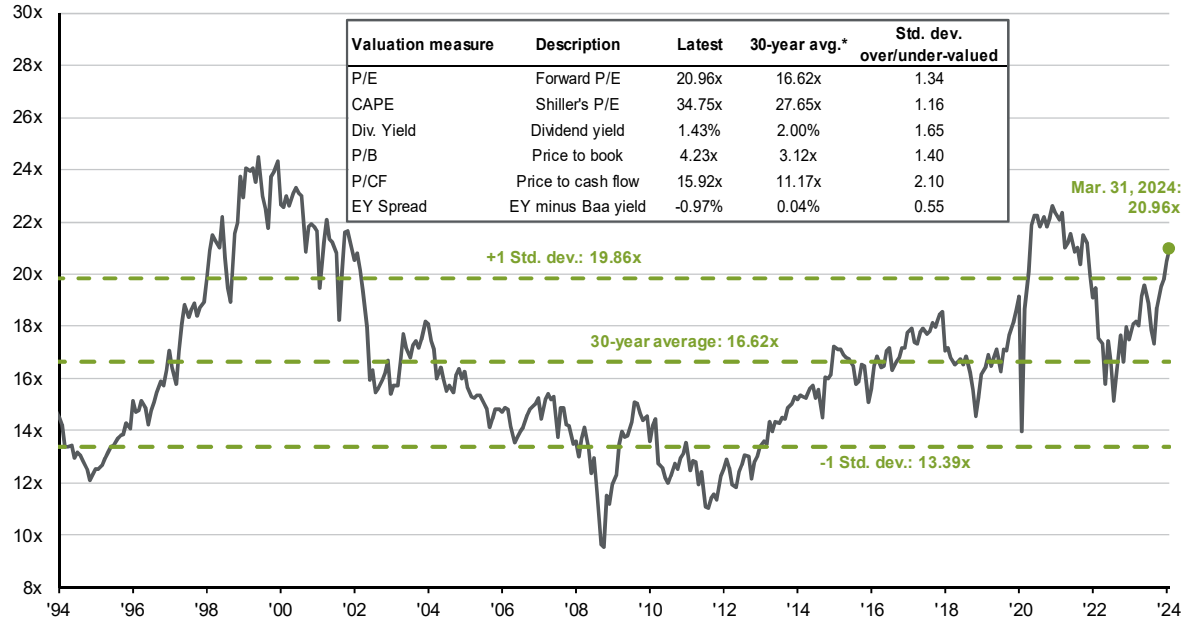
Source: FactSet, Federal Reserve, J.P. Morgan Asset Management.
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Equities

S&P 500 valuation measures

S&P 500 Index: Forward P/E ratio



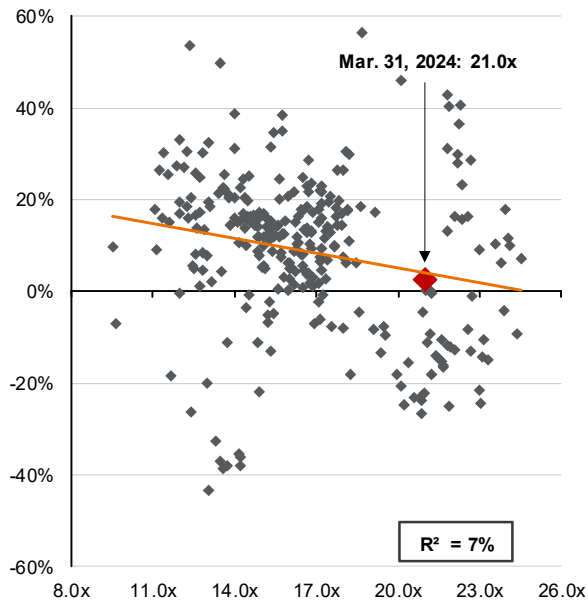
Valuation measure	Description	Latest	30-year avg.*	Std. dev. over/under-valued
P/E	Forward P/E	20.96x	16.62x	1.34
CAPE	Shiller's P/E	34.75x	27.65x	1.16
Div. Yield	Dividend yield	1.43%	2.00%	1.65
P/B	Price to book	4.23x	3.12x	1.40
P/CF	Price to cash flow	15.92x	11.17x	2.10
EY Spread	EY minus Baa yield	-0.97%	0.04%	0.55

Source: FactSet, FRB, Refinitiv Datastream, Robert Shiller, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management.
Price-to-earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since February 1994 and by FactSet since January 2022. Current next 12-months consensus earnings estimates are $245. Average P/E and standard deviations are calculated using 30 years of history. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as the next 12-months consensus dividend divided by most recent price. Price-to-book ratio is the price divided by book value per share. Price-to-cash flow is price divided by NTM cash flow. EY minus Baa yield is the forward earnings yield (consensus analyst estimates of EPS over the next 12 months divided by price) minus the Moody's Baa seasoned corporate bond yield. Std. dev. over-/under-valued is calculated using the average and standard deviation over 30 years for each measure. *Averages and standard deviations for dividend yield and P/CF are since November 1995 due to data availability.
Guide to the Markets – U.S. Data are as of March 31, 2024.

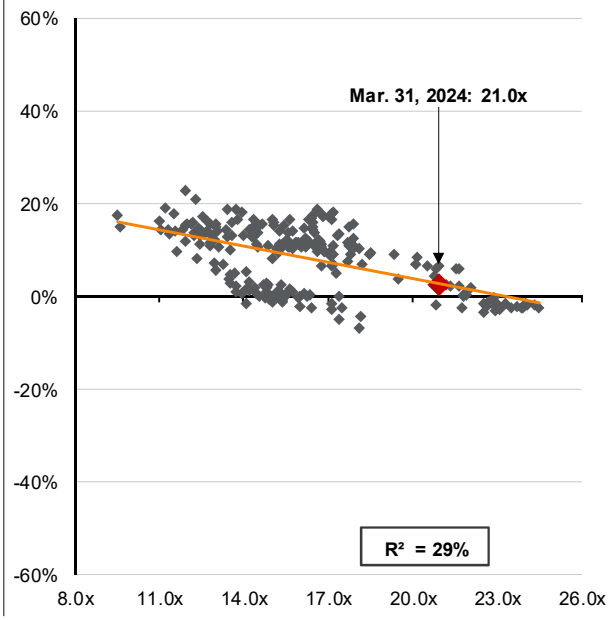
Equities

P/E ratios and equity returns

Forward P/E and subsequent 1-yr. returns
S&P 500 Total Return Index



Forward P/E and subsequent 5-yr. annualized returns
S&P 500 Total Return Index



Source: FactSet, Refinitiv Datastream, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management.
Returns are 12-month and 60-month annualized total returns, measured monthly, beginning 1/31/1999. R^2 represents the percent of total variation in total returns that can be explained by forward price-to-earnings ratios. Price-to-earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since February 1998 and by FactSet since January 2022.
Guide to the Markets – U.S. Data are as of March 31, 2024.

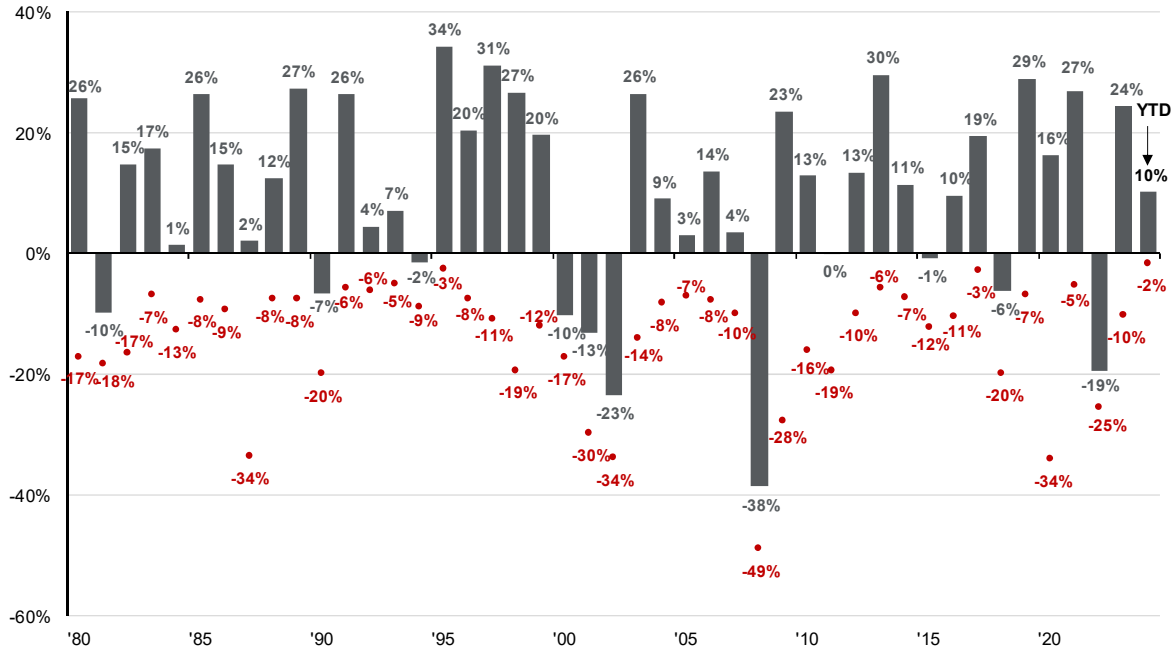
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Equities

Annual returns and intra-year declines

S&P intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.2%, annual returns were positive in 33 of 44 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2023, over which time period the average annual return was 10.3%.
Guide to the Markets – U.S. Data are as of March 31, 2024.

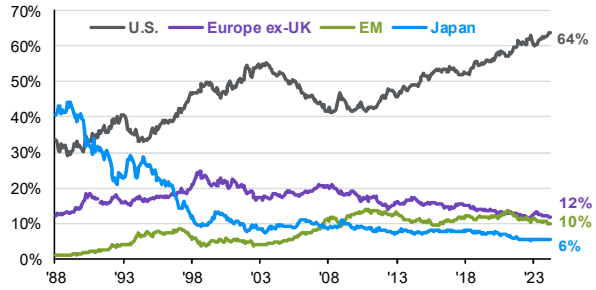
International

Global equity markets

Returns	YTD 2024		2023		15-years	
	Local	USD	Local	USD	Ann.	Beta
Regions						
U.S. (S&P 500)	-	10.6	-	26.3	15.6	0.9
AC World ex-U.S.	8.3	4.8	14.7	16.2	8.4	1.0
EAFE	10.1	5.9	16.8	18.9	8.9	1.0
Europe ex-UK	9.7	6.1	17.3	22.7	9.7	1.2
Emerging markets	4.6	2.4	10.3	10.3	7.0	1.1
Selected Countries						
Japan	19.3	11.2	29.0	20.8	8.2	0.7
United Kingdom	4.1	3.1	7.7	14.1	7.9	1.0
France	8.4	5.9	18.1	22.3	9.8	1.2
Canada	6.9	4.2	13.3	16.4	8.9	1.1
Germany	9.6	7.1	19.8	24.0	8.6	1.3
China	-1.7	-2.2	-10.6	-11.0	4.4	0.9
Taiwan	17.3	12.5	31.1	31.3	14.4	1.1
India	6.4	6.1	22.0	21.3	11.7	1.0
Brazil	-4.5	-7.3	22.7	33.4	4.1	1.4

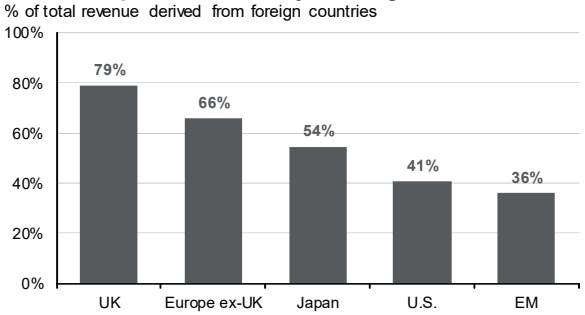
Share of global market capitalization

% weight in the MSCI All Country World Index, USD, monthly



Revenue exposure vs. country of listing

% of total revenue derived from foreign countries

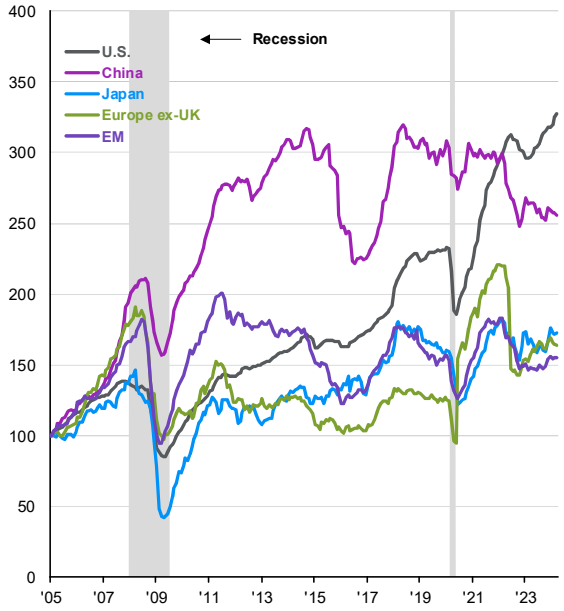


Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management. (Left) All return values are MSCI Total Return Index (Gross) data. 15-year history based on USD returns. 15-year return and beta figures are calculated using a rolling 12-month time period ending with the previous month-end. Beta is for monthly returns relative to the MSCI All Country World Index. Annualized volatility is calculated as the standard deviation of quarterly returns multiplied by the square root of four. Chart is for illustrative purposes only. Please see disclosure page for index definitions. Past performance is not a reliable indicator of current and future results. (Bottom right) Revenue exposure data are as of the previous quarter-end.
Guide to the Markets – U.S. Data are as of March 31, 2024.

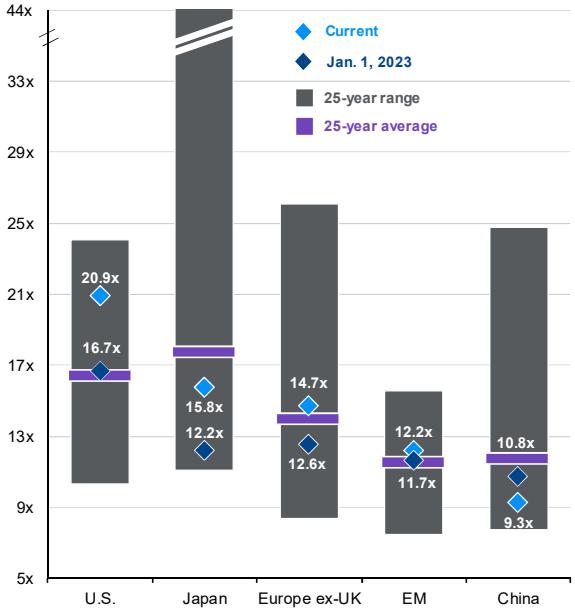
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International equity earnings and valuations

Global earnings estimates
Jan. 2005 = 100, next 12 months consensus estimates, U.S. dollars



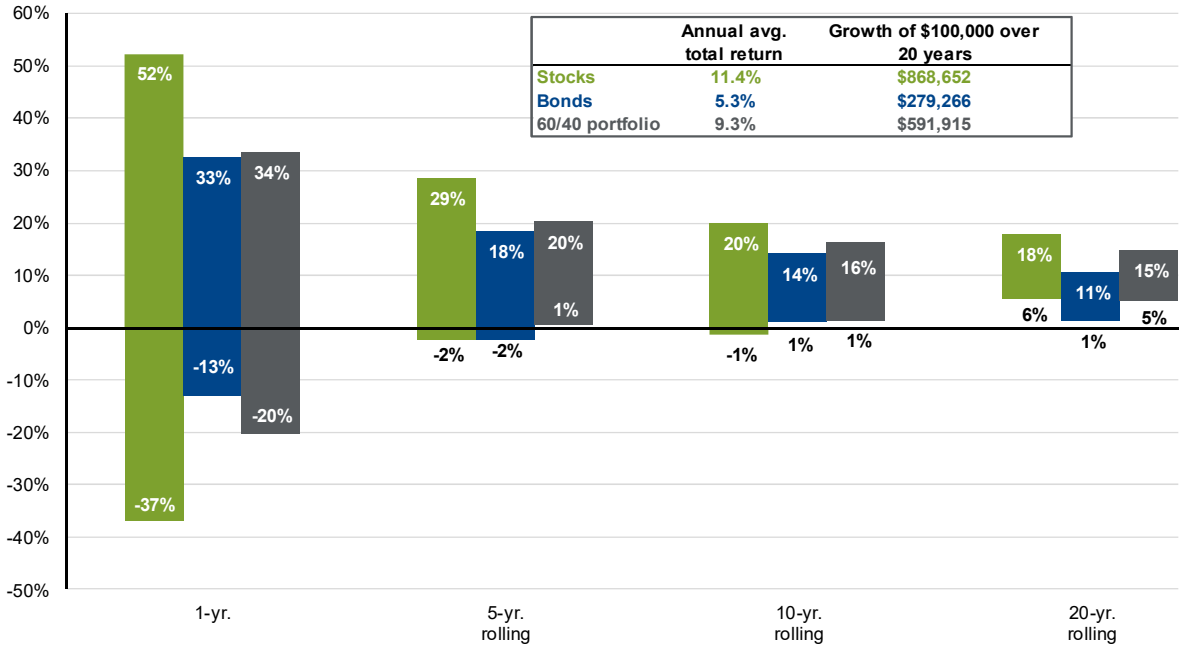
Global valuations
Current and 25-year next 12 months price-to-earnings ratio



Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management. Next 12 months consensus estimates are based on pro-forma earnings and are in U.S. dollars. Past performance is not a reliable indicator of current and future results. (Right) The purple lines for EM and China show 20-year averages due to a lack of available data.
Guide to the Markets – U.S. Data are as of March 31, 2024.

Time, diversification and the volatility of returns

Range of stock, bond and blended total returns
Annual total returns, 1950-2023



	Annual avg. total return	Growth of $100,000 over 20 years
Stocks	11.4%	$868,652
Bonds	5.3%	$279,266
60/40 portfolio	9.3%	$591,915

Source: Bloomberg, FactSet, Federal Reserve, Robert Shiller, Standard and Poor's, Strategas/Ibbotson, J.P. Morgan Asset Management. Returns shown are based on calendar year returns from 1950 to 2023. Stocks represent the S&P 500 Shiller Composite for periods prior to 1936 and the S&P 500 thereafter. Bonds represent Strategas/Ibbotson for periods prior to 1976 and the Bloomberg Aggregate thereafter. Growth of $100,000 is based on annual average total returns from 1950 to 2023.
Guide to the Markets – U.S. Data are as of March 31, 2024.

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