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

ECONOMIC AND MARKET COMMENTARY

2nd Quarter 2024

I. SECOND-QUARTER 2024 ECONOMIC RECAP

By Frank Smith, III, CFA

Economy

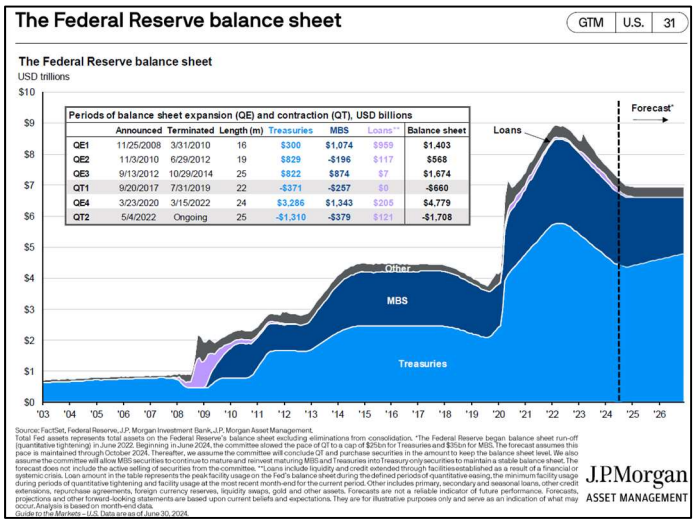
The economy is navigating a complex landscape characterized by four major factors: robust financial markets, a weakening consumer, the effects of rising interest rates, and geopolitical risks. These dynamics present significant challenges for the Federal Reserve and pose risks to the broader economy and financial markets.

Strong Financial Markets

Financial markets have shown remarkable resilience despite the Federal Reserve raising the Fed Funds rate from near zero to 5.25%-5.50%. Equity prices have risen, with the S&P 500 up over 15% in the first half of 2024. The U.S. Dollar has remained stable, stabilizing the current economic landscape. As measured by the VIX index, market volatility has been consistently low, below 15 for most of the year, below the 20-year average of 19. Credit spreads also point to the strength of financial markets, with high-yield bonds at the tightest spreads since the start of the financial crisis. This tight spread indicates a robust economy and strong corporate earnings, enabling companies to manage their balance sheets effectively even with high debt levels.

The Fed

While the Federal Reserve did not implement rate cuts in the first half of the year, it did make strategic adjustments. The Fed reduced the pace of quantitative tightening, allowing only $25 billion in Treasuries to mature off its balance sheet each month, down from $60 billion, while maintaining the mortgage-backed securities cap at $35 billion. This adjustment will leave the Fed with significantly larger Treasury holdings than before the pandemic, which should help keep long-term interest rates lower. As of this writing, the market forecasts that the Fed will cut rates twice this year.



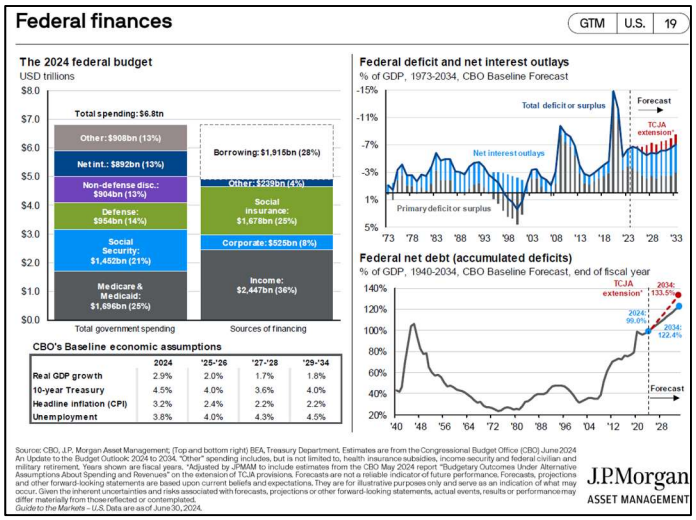
Consumers showing signs of Weakness

Although unemployment rates are historically low, the consumer has been stressed due to the impact of high interest rates on loans and higher prices on household goods. Consumer loan growth, excluding the pandemic period, has declined to levels last seen over a decade ago. Delinquency rates on credit cards are at their highest since 2012, with nearly 9% of card balances at least 30 days past due.

Falling credit scores further indicate financial stress, prompting lenders to lower credit limits for new accounts, tighten standards, and raise rates. Outstanding commercial and industrial loans are also declining, underscoring the tight borrowing conditions.

Federal Finances

The federal deficit, currently 6% of GDP, combined with substantial fiscal spending, exacerbates inflationary pressures. The Congressional Budget Office (CBO) projects that U.S. Federal Government Debt will rise from 99% of GDP last year to 122% by 2034, potentially reaching 200% under current policies. This growing debt burden poses long-term risks to economic stability and growth.



Geopolitical

Geopolitical tensions, particularly involving Ukraine, Gaza, and China, increase the risk of trade wars and economic disruptions. China's economic slowdown, driven by turmoil in its real estate sector and high local government debt, adds to global uncertainty. Efforts to revive manufacturing through exports of subsidized products face challenges from retaliatory trade measures and weak global demand.

Europe's economic prospects have brightened somewhat, with growth in major economies like Germany, France, Italy, and Spain. The European Central Bank (ECB) expects a recovery driven by abating inflation, rebounding household incomes, and strengthening foreign demand. However, geopolitical risks and rising interest rates pose ongoing challenges.

In summary, while financial markets have shown resilience, consumers are starting to feel the impact of inflation, posing a challenge for the Federal Reserve. The economic outlook remains uncertain despite investors benefiting from a rising stock market and stable financial conditions. Potential volatility could arise from geopolitical developments, fiscal challenges, and ongoing inflationary pressures.

II. SECOND-QUARTER 2024 EQUITY MARKET RECAP

By Dodd Williams, CFA

In the 1st quarter of 2024, we were more encouraged as the U.S. equity market showed more signs of a broad market rally. However, in the 2nd quarter the market reverted back to a very narrow market with a few big winners and the vast majority of stocks at a loss. Overall, the S&P 500 (SPX) rallied 18.11% on an annualized basis. The technology-heavy Nasdaq was up 38.06%. Large and mega-cap companies in the S&P 100 (OEX) drove the market. The OEX was up 31.14%. China also had an exceptional quarter as the Hang Sang index was up 40.57%.

Beside the winners noted above, the rest of markets greatly underperformed. The mid-cap S&P 400 was down 13.01%. The Small Cap S&P 600 was down 11.78%. We like to compare S&P 500 which is market capitalization-weighted index versus an index where all 500 companies are equal weighted. The S&P 500 Equal-Weight (RSP) was down 9.99%.

Another way to dissect the market is to analyze the performance of sector exchange-traded funds (ETFs). The S&P 500 index can be subdivided into eleven sector-specific areas. The following chart shows the returns of each in order from the best to the worst.

Sector	Ticker	Quarterly Return (annualized)
Technology	XLK	39.83%
Communications	XLC	22.16%
Consumer Staples	XLP	4.18%
Consumer Discretionary	XLY	-2.34%
Health Care	XLV	-3.74%
Real Estate	XLRE	-7.15%
Financials	XLF	-7.76%
Energy	XLE	-10.28%
Industrials	XLI	-11.08%
Materials	XLB	-16.63%

Source: Smith Shellnut Wilson, Research Department

Internationally, the developed markets of Europe and Japan also underperformed. The MSCI Euro was off 5.87% and Japan as measured by the Nikkei index was down 5.30%.

III. SECOND-QUARTER 2024 BOND MARKET RECAP

By Chad McKeithen

By the end of the first quarter, hotter-than-expected inflation had eliminated forecasts for a 2024 FOMC rate cut. However, as inflation gradually pulled back in the second quarter, enough momentum built up to forecast two 25 basis point rate cuts before year-end with one cut priced in as early as the September FOMC meeting, before the presidential election.

The inverted curve or negative spread between 2- and 10-year US Treasuries narrowed from -40 to -32 basis points during the second quarter. This trend is expected to continue as the

futures market anticipates the FOMC will cut its overnight rate from 5.33% to 4.27% (four 25bp cuts) by June 2025. Consequently, the 2-year Treasury rate is projected to fall from 4.75% to 4.09% by next June, while the 10-year Treasury rate is expected to decrease slightly from 4.28% to 4.26% over the same period. If Treasury futures are accurate, this would result in a positive Treasury curve spread of +17 basis points, marking the first time the curve has been positively sloped since June 2022.

Chart 1 – 2nd Quarter Rate & Bond Sector Changes

Rates	2nd Q Close	1st Q Close	Qtr Change
Prime	8.50	8.50	0.00
Effective Fed Funds	5.33	5.33	0.00
3m Tbill	5.37	5.34	0.03
2yr UST	4.60	4.60	0.00
10yr UST	4.28	4.20	0.08
2-10yr UST Spread	-32	-40	8
2y AAA Muni/10y UST	68%	65%	3%
10y AAA Muni/10y UST	67%	60%	7%
Bond Sector Yields	**2nd Q Close**	**1st Q Close**	**Qtr Change**
U.S. Aggregate	5.00	4.85	0.15
IG Corps	5.48	5.30	0.18
U.S. High Yield	7.91	7.66	0.25
Municipals	3.72	3.49	0.23
MBS	5.22	5.04	0.18
Asset Backed	5.78	5.79	-0.01
AAA CLO	6.62	6.71	-0.09

Source: Smith Shellnut Wilson

Municipal bond yields experienced some widening, as reflected in the 10-year AAA Municipal yield to 10-year Treasury yield ratio. This ratio started the quarter at 59% and increased to 67%. Although higher ratios benefit current buyers, the ratio remains significantly below its 10-year average of 87%.

While some economists note that nominal inflation was much higher in the late 1970s, the real return on the bond market has been worse during this cycle due to the prolonged period of high inflation and currently low nominal Treasury yields (see Chart 2). The graph below illustrates the real yield on bonds by taking the net spread between the 10-year Treasury yield and the annual core CPI. In May, CPI was at 3.40% and the 10-year Treasury average was 4.36%, resulting in a real yield of only 0.95%, compared to the average real yield of 1.94% dating back to 1958.

Chart 2 – Inflations Impact on Real Yields



Source: JPMorgan as of June 30, 2024

Although real yields have rebounded since falling to -5.00% in 2022, they still have some way to go to reach their average of about 2%. Either the CPI needs to decrease by another 100 basis points, the 10-year Treasury rate needs to increase by 100 basis points, or a combination of both will be necessary.

IV. EXCESS SAVINGS ARE GONE and the US ECONOMY IS BRACING FOR IMPACT

By Amara Omeokwe and Laura Curtis

The excess savings Americans stored away during the pandemic ran dry months ago, and the US economy is feeling the effects.

The pandemic savings cushions that helped Americans weather high prices in recent years have worn through, contributing to a loss of consumer firepower that's rippling through the economy.

Delinquencies are rising. Executives are flagging caution among shoppers in recent earnings calls, and retail sales barely increased in May after falling the month prior. Economists forecast solid inflation-adjusted consumer spending in data out Friday, helped by lower gasoline prices, but that would follow an outright decline in April.

The resilience of American consumers — and their willingness to spend despite rising prices and high borrowing costs — has been a pillar of the unwavering strength of the US economy in recent years. A healthy labor market has played a key role, but so has the roughly $2 trillion in excess savings Americans accumulated during the Covid-19 pandemic.

Those excess savings have been fully depleted as of March, according to the Federal Reserve Bank of San Francisco, heightening concerns about the durability of consumer spending.

"That excess cushion that households were able to fall back on in the immediate aftermath of the pandemic is no longer available for the most part," said Stephen Stanley, chief US economist at Santander US Capital Markets LLC. "And so their fortunes are basically tied to their current income, which is inevitably a function of the labor market."

Employers added 272,000 jobs in May, surpassing all economists' forecasts, and layoffs are low. But the pace of hiring has cooled, and the unemployment rate has begun to edge higher.

For now, that resilient labor market is keeping consumers afloat and giving the Fed the space to keep interest rates high to tame inflation, and economists say household balance sheets overall are healthy. But policymakers, including Fed

Governor Lisa Cook earlier this week, acknowledge the growing financial strain in some pockets of the economy.

"The pullback in consumption is all a part of the Fed's plan," said Dana Peterson, chief economist at the Conference Board. "But it's difficult to calibrate that and there are concerns that maybe consumer spending shrinks by too much."

US household debt has reached a record and more Americans are falling behind on their credit card payments, according to data from the New York Fed. A third of households in a recent Census Bureau survey reported it was somewhat or very difficult to pay for usual household expenses in the week prior, and the savings rate has fallen.

Some retailers are also warning about changes in consumer behavior. Target Corp.'s chief growth officer Christina Hennington said consumer debt levels are among the reasons the company has a cautious near-term growth outlook. Meanwhile, the chief financial officer at Walmart Inc., John David Rainey, flagged shoppers are spending more of their paychecks on necessities and less on general merchandise.

Depleted Pandemic Savings

Joseph Lewis, of Brockton, Massachusetts, banked about $15,000 in new savings by late 2021 due to the pandemic's effects. Not only was he able to save on gas and parking but also benefited from the government's pause on student loan payments.

That money helped pay for repairs on the home Lewis, 33, bought with his girlfriend in 2022 and finance growing everyday expenses like groceries. But now, with those savings largely spent, he finds himself pulling back where he can and looking for ways to save money — including trailing behind his 6-year-old twins at home, reminding them to turn off the lights behind them.

"We're in a space where we have to be financially creative in terms of really figuring out what it is you can do without and even what it is that you can perhaps do on your own," said Lewis, who works as the associate director of an academic program for high schoolers.

It doesn't help that borrowing money isn't likely to get cheaper anytime soon. Fed officials have signaled they plan to keep interest rates at current levels, a more than two-decade high, until they gain more confidence inflation is continuing to cool.

"Consumers might be continuing to spend, but it's taking a toll," said Tim Quinlan, a senior economist at Wells Fargo & Co. Americans' non-mortgage interest payments — such as for credit cards and auto loans — as a share of their disposable income was 2.4% in April, near the highest levels since 2008, according to Quinlan's analysis of Commerce Department data.

"The cost of carrying that debt is taking a bite out of people's incomes in a way that it has not since the financial crisis," Quinlan said. He expects consumer spending growth to slow in the second half of 2024.

Still, as the San Francisco Fed researchers acknowledge in their research, estimates of how much pandemic-era savings remain in Americans' pockets — and the potential impact on spending — carry uncertainty because economists use varying methods of calculation.

In fact, some Americans have seen their wealth grow substantially thanks to a surge in home values in recent years and record-high stock prices. Continued spending by these individuals could bolster consumer outlays in the aggregate, even if others are forced to dial back spending.

"We just about doubled our retirement from before the pandemic," said Geoff Olson, a 64-year-old robotics engineer who lives in California's Bay Area. "That was a combination of us putting in more money, and we just did really well in the stock market."

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

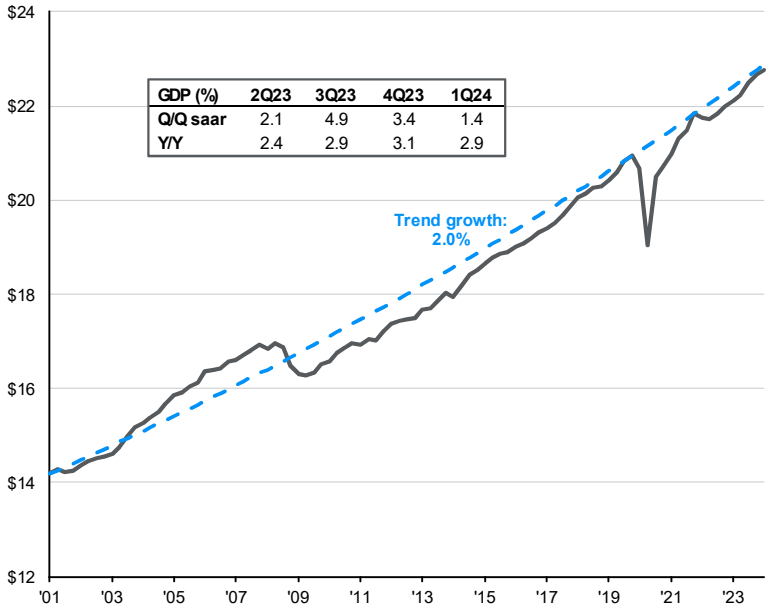
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Economy

Economic growth and the composition of GDP

Real GDP

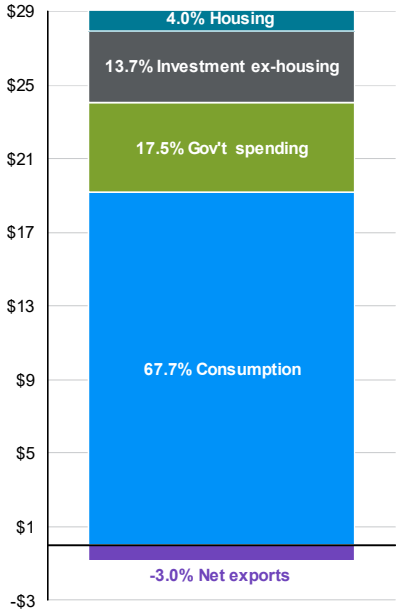
Trillions of chained (2017) dollars, seasonally adjusted at annual rates



GDP (%)	2Q23	3Q23	4Q23	1Q24
Q/Q saar	2.1	4.9	3.4	1.4
Y/Y	2.4	2.9	3.1	2.9

Components of GDP

1Q24 nominal GDP, USD trillions



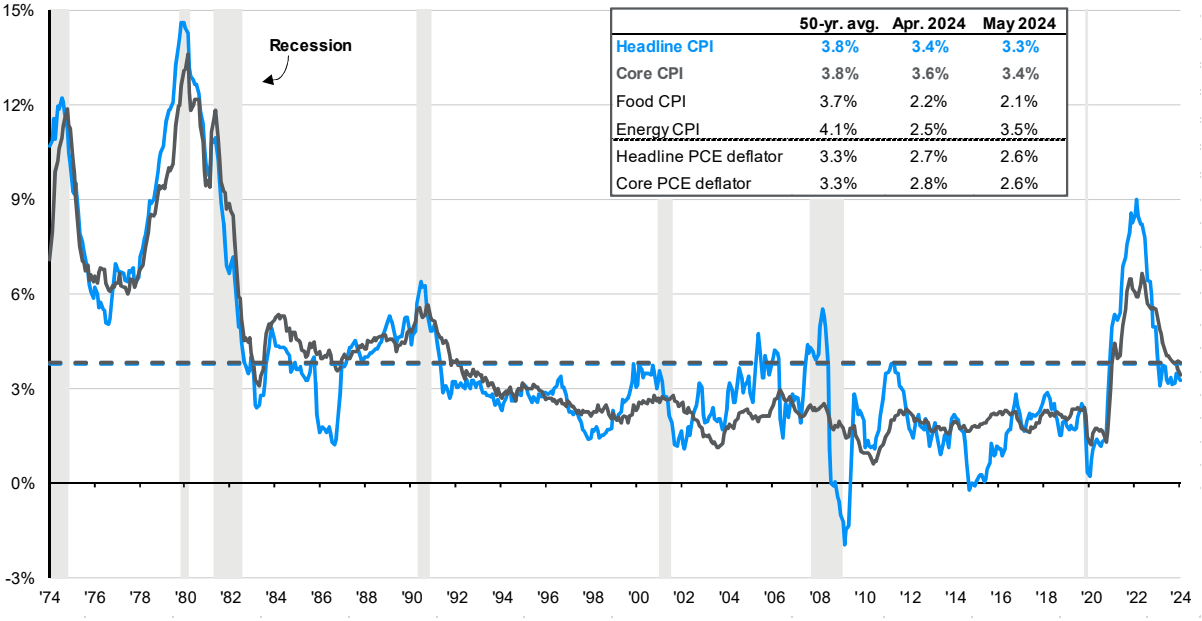
Source: BEA, FactSet, J.P. Morgan Asset Management. Values may not sum to 100% due to rounding. Trend growth is measured as the average annual growth rate from business cycle peak 1Q01 to business cycle peak 4Q19.
Guide to the Markets – U.S. Data are as of June 30, 2024.

Economy

Inflation

CPI and core CPI

% change vs. prior year, seasonally adjusted



	50-yr. avg.	Apr. 2024	May 2024
Headline CPI	3.8%	3.4%	3.3%
Core CPI	3.8%	3.6%	3.4%
Food CPI	3.7%	2.2%	2.1%
Energy CPI	4.1%	2.5%	3.5%
Headline PCE deflator	3.3%	2.7%	2.6%
Core PCE deflator	3.3%	2.8%	2.6%

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 June 30, 2024.

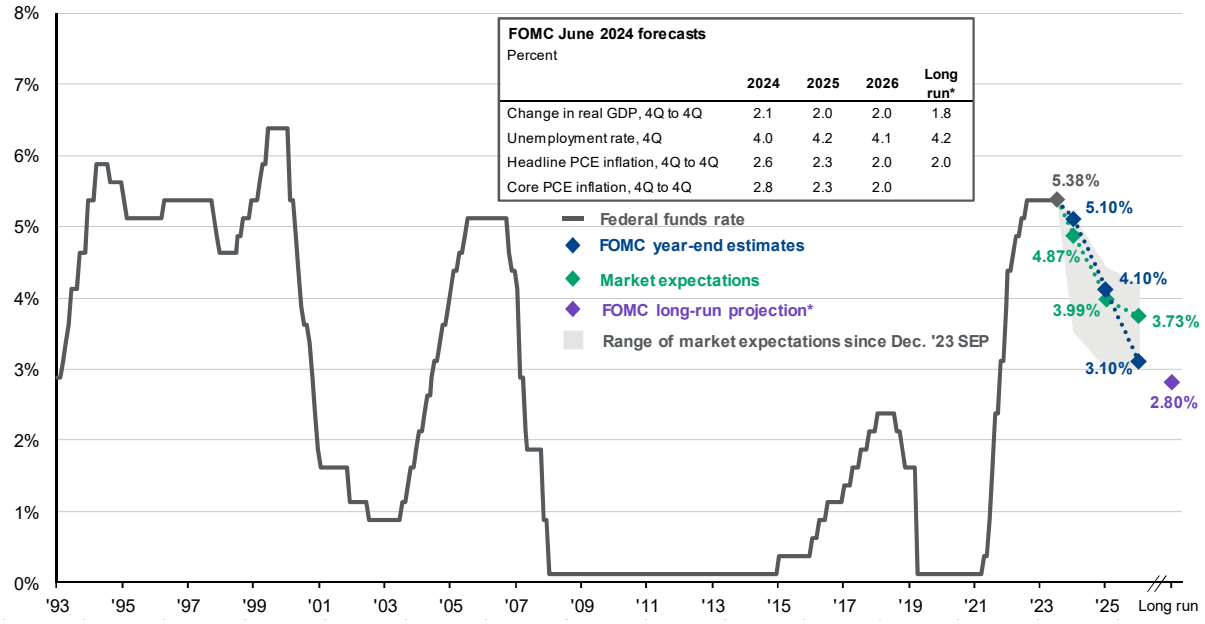
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Fixed Income

The Fed and interest rates

Federal funds rate expectations

FOMC and market expectations for the federal funds rate

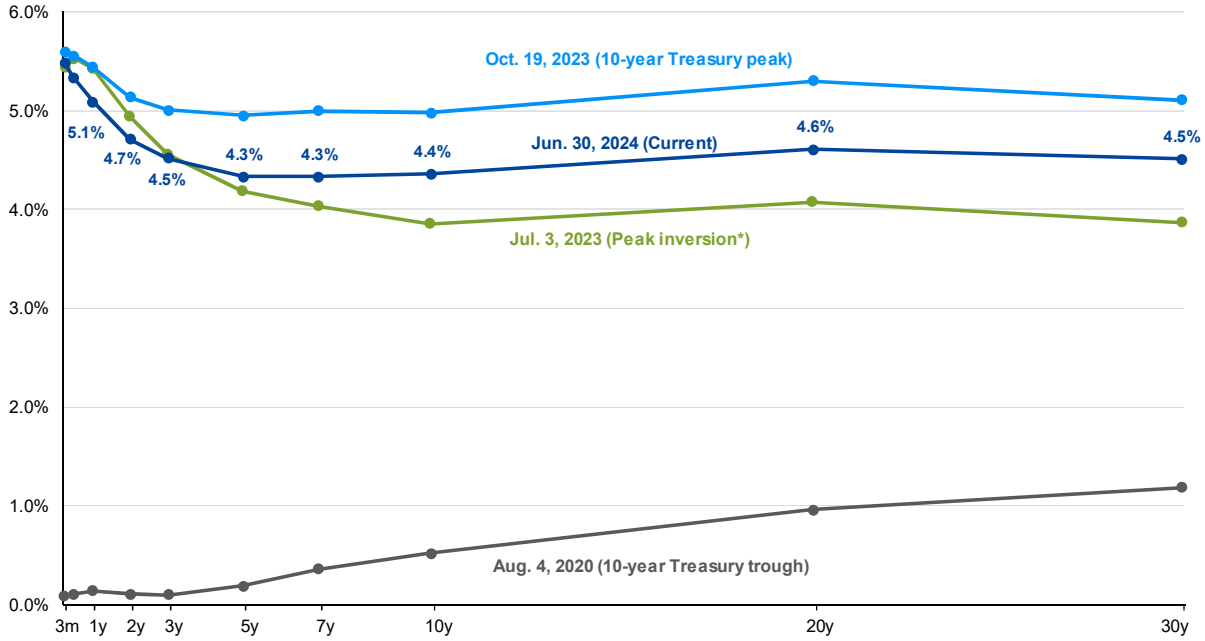


Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.
Market expectations are based off of USD Overnight Index Swaps. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in 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 June 30, 2024.

Fixed Income

Yield curve

U.S. Treasury yield curve



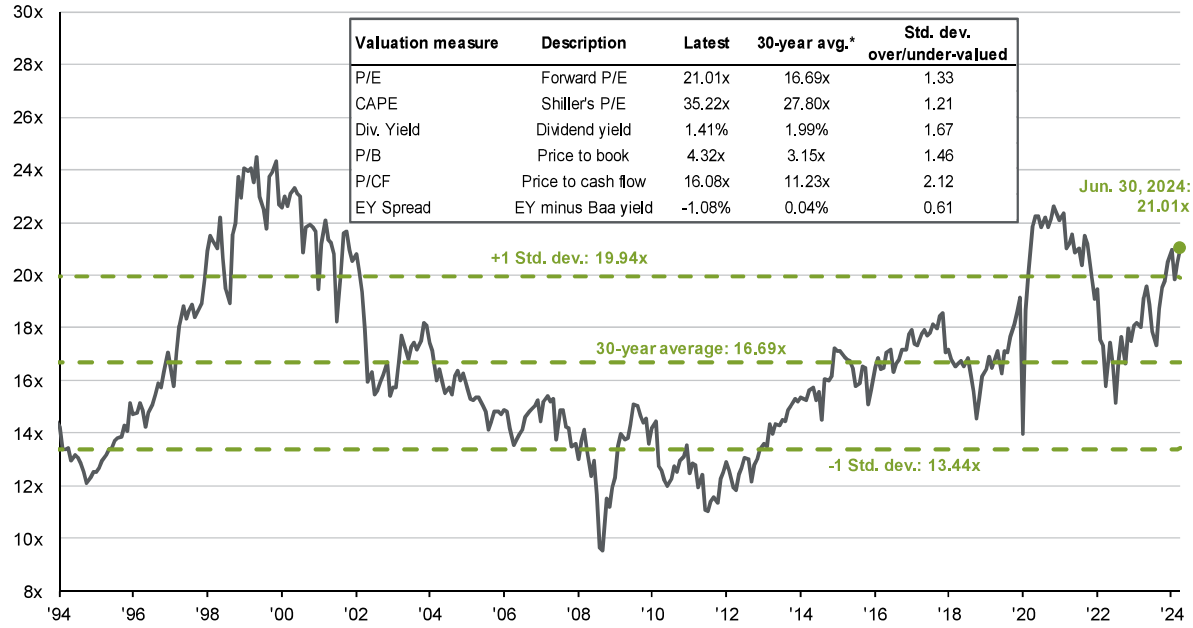
Source: FactSet, Federal Reserve, J.P. Morgan Asset Management. Analysis references data back to 2020. *Peak inversion is measured by the spread between the yield on a 10-year Treasury and 2-year Treasury.
Guide to the Markets – U.S. Data are as of June 30, 2024.

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Equities

S&P 500 valuation measures

S&P 500 Index: Forward P/E ratio



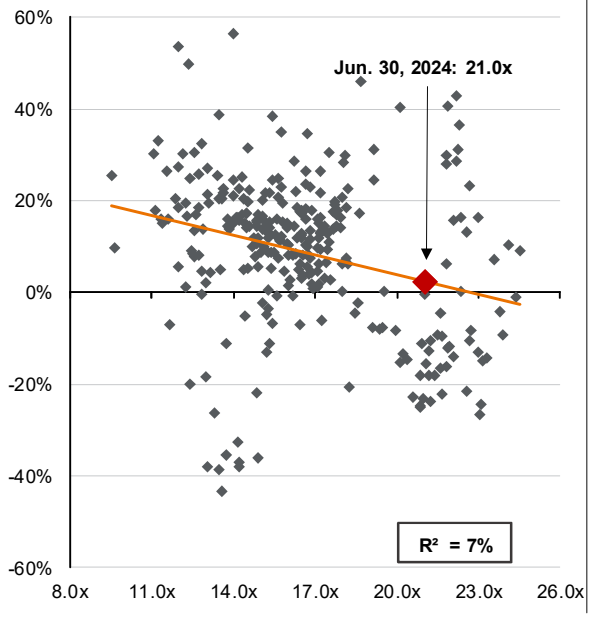
Valuation measure	Description	Latest	30-year avg.*	Std. dev. over/under-valued
P/E	Forward P/E	21.01x	16.69x	1.33
CAPE	Shiller's P/E	35.22x	27.80x	1.21
Div. Yield	Dividend yield	1.41%	1.99%	1.67
P/B	Price to book	4.32x	3.15x	1.46
P/CF	Price to cash flow	16.08x	11.23x	2.12
EY Spread	EY minus Baa yield	-1.08%	0.04%	0.61

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 March 1994 and by FactSet since January 2022. 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 June 30, 2024.

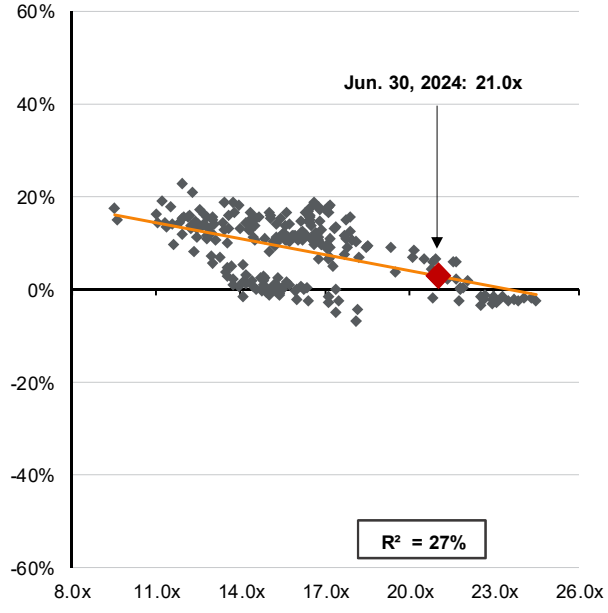
Equities

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 6/30/1999. 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 May 1999 and by FactSet since January 2022.
Guide to the Markets – U.S. Data are as of June 30, 2024.

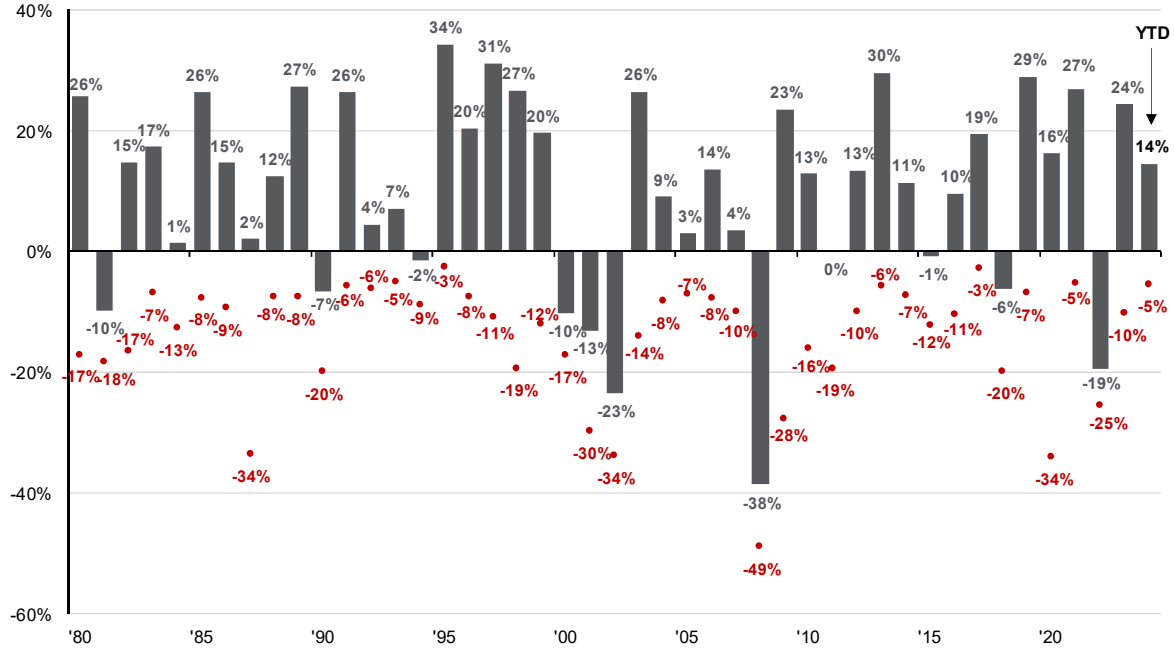
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Equities

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 June 30, 2024.

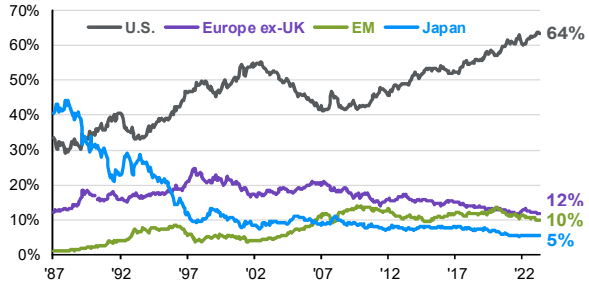
International

Global equity markets

Returns	YTD 2024		2023		15-years	
	Local	USD	Local	USD	Ann.	Beta
Regions						
U.S. (S&P 500)	-	15.3	-	26.3	14.8	1.0
AC World ex-U.S.	11.0	6.0	14.7	16.2	6.7	1.0
EAFE	11.5	5.7	16.8	18.9	7.3	1.0
Europe ex-UK	10.3	6.2	17.3	22.7	8.1	1.2
Emerging markets	11.2	7.7	10.3	10.3	5.3	1.0
Selected Countries						
Japan	21.5	6.5	29.0	20.8	6.4	0.7
United Kingdom	7.8	6.9	7.7	14.1	6.5	1.0
France	1.6	-1.4	18.1	22.3	7.8	1.2
Canada	6.0	2.2	13.3	16.4	6.8	1.1
Germany	9.6	6.3	19.8	24.0	7.0	1.3
China	5.2	4.8	-10.6	-11.0	2.8	0.9
Taiwan	37.0	29.6	31.1	31.3	13.8	1.0
India	17.4	17.1	22.0	21.3	9.0	0.9
Brazil	-6.9	-18.6	22.7	33.4	0.9	1.3

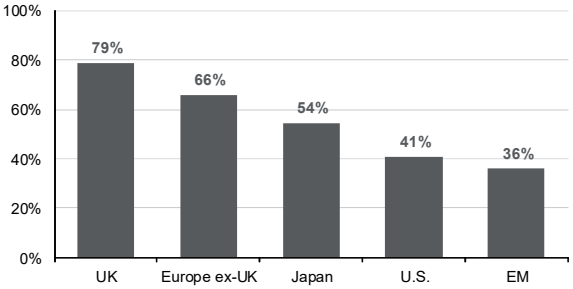
Share of global market capitalization

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



Revenue exposure vs. country of listing

% of total revenue derived from foreign countries



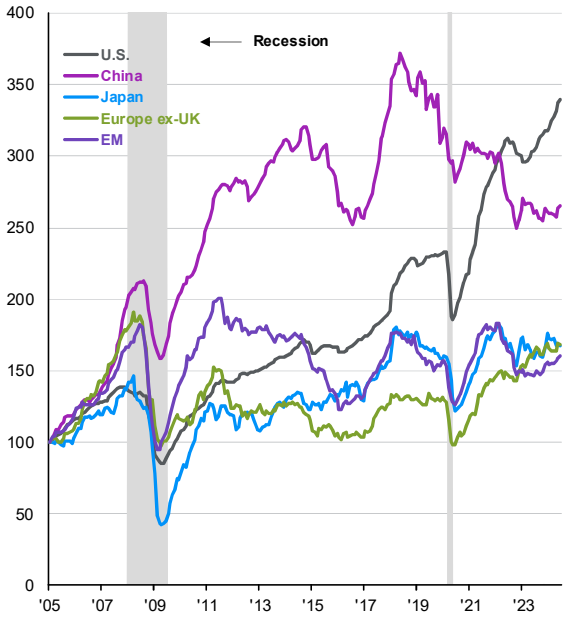
Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management. (Left) All return values are MSCI Total Return Index (Gross) data. 15-year history based on USD returns. 15-year return and beta figures are calculated using a rolling 12-month time period ending with the previous month-end. Beta 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 June 30, 2024.

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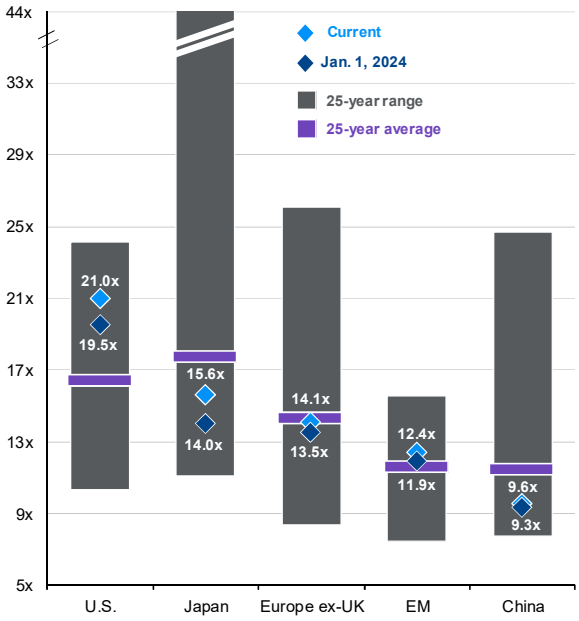
International

Global 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

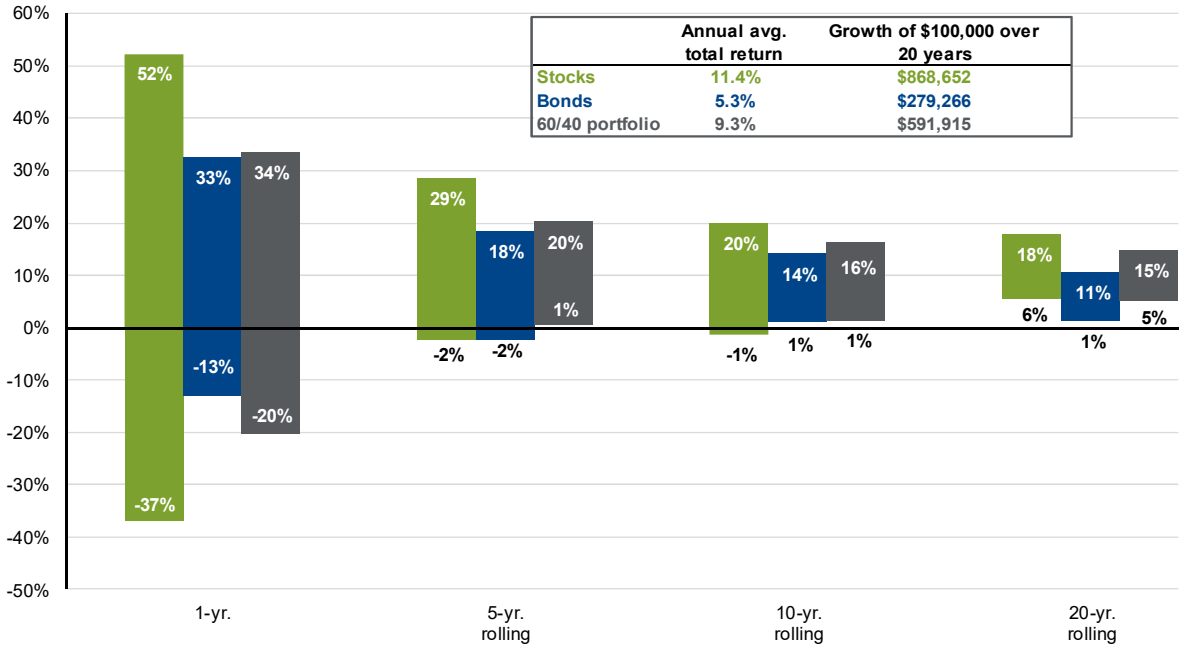


Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management. Next 12 months consensus estimates are based on pro-forma earnings and are in U.S. dollars. Past performance is not a reliable indicator of current and future results. (Right) The purple lines for EM and China show 20-year averages due to a lack of available data.
Guide to the Markets – U.S. Data are as of June 30, 2024.

Investing Principles

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 & 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.
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