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AN AFFILIATE OF b1BANK

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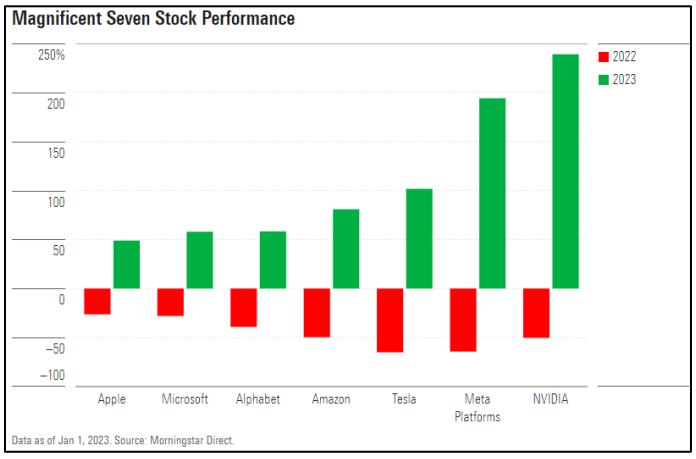
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# ECONOMIC AND MARKET COMMENTARY

**4th Quarter 2023**

## I. FOURTH-QUARTER 2023 EQUITY MARKET RECAP

In 2023, defying earlier bleak forecasts, the stock market experienced one of its best years in the past decade. The S&P 500 notably soared, achieving a remarkable 26% increase. This rise was driven by large technology firms and growth-oriented companies (especially the "Magnificent Seven"), reversing the significant losses they suffered in the 2022 bear market. A prime example of this turnaround was Nvidia, a leader in semiconductor chips. After a marked decline in 2022, Nvidia's stock rebounded spectacularly in 2023, surging by 239%. This resurgence was driven by the rapidly expanding field of artificial intelligence, which significantly impacted the tech stock landscape.




At the start of 2023, optimism grew that the stock market had overcome its lowest point, especially after the bear market trough in October 2022. Nonetheless, ongoing high inflation and the Federal Reserve's interest rate hikes prompted continued caution among investors, with concerns about a potential recession. These fears were heightened in March following the unexpected failures of Silicon Valley Bank, Signature Bank, and First Republic Bank. Triggered by significant losses in government bonds, these collapses raised fears of a regional banking crisis and a possible economic downturn. However, the Federal Reserve's swift action to support troubled regional banks restored confidence in the stock market. By June, the stock market had entered a new bull market phase, rising 20% from its bear market low.

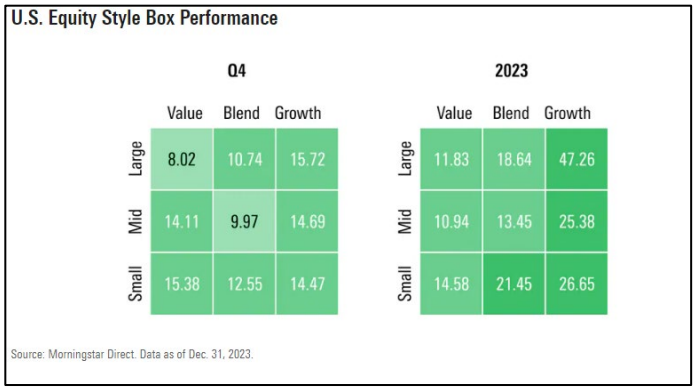
Meanwhile, international stock performance also saw more modest improvements. The iShares MSCI ACWI ex US ETF (ACWX) increased by 15.7%, though it lagged the 26% surge in U.S. stocks. The disparity between developed and emerging markets was evident, with the iShares MSCI EAFE ETF (EFA) growing by 18.4% compared to a modest 9% increase in the iShares MSCI Emerging Markets ETF (EEM).

**Morningstar Sector Indexes**

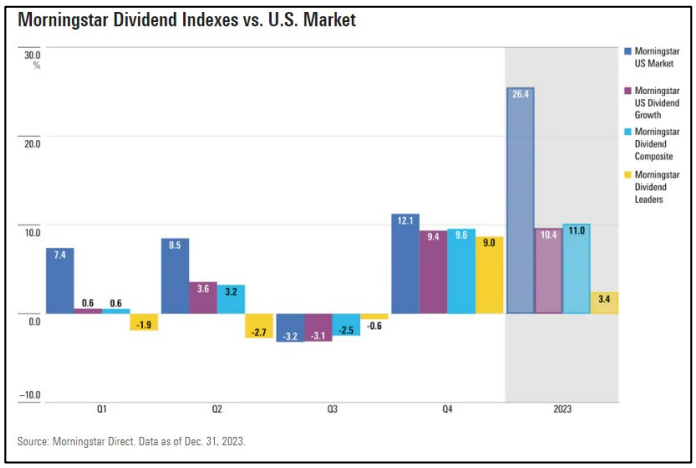
| | Performance (%) | |
|---|---|---|
| **Cyclical** | **Q4 2023** | **2023** |
| Basic Materials | 11.05 | 14.96 |
| Consumer Cyclical | 12.35 | 39.47 |
| Financial Services | 14.61 | 16.09 |
| Real Estate | 17.89 | 11.76 |
| **Sensitive** | | |
| Communication Services | 11.67 | 54.45 |
| Energy | -6.64 | -0.55 |
| Industrials | 13.55 | 20.90 |
| Technology | 17.23 | 59.06 |
| **Defensive** | | |
| Consumer Defensive | 5.80 | 2.37 |
| Healthcare | 6.81 | 2.22 |
| Utilities | 8.65 | -7.04 |

Source: Morningstar Direct. Data as of Dec. 31, 2023.

The overarching story for stock sectors in 2023 can be summed up as a dramatic shift in fortunes. Sectors that had shown resilience during the bear market were trailing in 2023, whereas those that had suffered the most in 2022 made a remarkable comeback with substantial gains. This trend was particularly pronounced in the technology and communications services sectors. Both sectors experienced impressive rallies, each recording increases exceeding 50% in 2023. This starkly contrasts with 2022, when the Morningstar US Communications Services Index was at the bottom of sector performance, declining by 40.9%. Similarly, the Morningstar US Technology Index, which had recorded a 31.6% decrease, ranked third in losses, just behind the 35.5% downturn of the Morningstar US Consumer Cyclical Index.




Throughout most of 2023, the stock market's rally was driven by large-cap stocks, while smaller stocks lagged, burdened by recession fears and the prospect of higher interest rates. Notably, small-value stocks underperformed in the year's first three quarters. However, small-cap stocks saw significant gains in the year's final months with a robust economy and the Federal Reserve's indications of potential rate cuts. In the fourth quarter, the Morningstar Small Value Index achieved its highest quarterly gains since early 2021.




Dividend stocks faced multiple challenges that negatively impacted their performance. The regional banking crisis was a significant factor, affecting financial sectors heavily represented in dividend strategies. Additionally, substantial investments in energy and utility sectors in dividend indices further hindered performance.

The Morningstar Dividend Composite Index, which broadly measures dividend stock performance and includes a notable presence of technology stocks (nearly 18% of the portfolio), fared relatively well compared to other main Morningstar dividend benchmarks. (The Morningstar US Market Index comprises almost 30% of technology stocks.)

In conclusion, 2023 is a testament to the resilience and dynamism of the stock market and the US Economy, starkly contrasting the pessimistic projections that preceded it. The remarkable 26% increase in the S&P 500 marked a significant rebound from the downturn experienced in 2022. Nvidia's astonishing surge, fueled by the burgeoning artificial intelligence sector, epitomized this remarkable recovery, highlighting the influence of technological innovation on market trends. However, the concentration of the rally in a few dominant stocks warranted a cautious approach among investors, mindful of the potential risks associated with such market dynamics.

## II. FOURTH-QUARTER 2023 BOND MARKET RECAP

A fourth-quarter shift in the inflation and interest-rate outlook sparked a positive turnaround in the 2023 bond market, following large significant price declines in both 2021 and 2022 amid rising inflation and rates. Through the first three quarters of the year, the bond market appeared on pace for a third consecutive year of losses, as the yield of the 10-year U.S. Treasury peaked at 5.02%—the highest since 2007—but then it fell sharply and ended 2023 at 3.88%—the same as 2022's year-end yield.

**Chart 1 - 2023 Rates & Bond Sector Changes**

| | Dec-23 | Dec-22 | 2023 Change |
|---|---|---|---|
| **Prime** | 8.50 | 7.50 | 1.00 |
| **BTFP Rate** | 4.84 | 4.50 | 0.34 |
| **3m Tbill** | 5.33 | 4.34 | 0.99 |
| **2yr UST** | 4.23 | 4.41 | -0.18 |
| **10yr UST** | 3.88 | 3.88 | 0.00 |
| **TIPS** | 4.24 | 4.38 | -0.14 |
| **2-10yr UST Spread** | -0.35 | -0.53 | 0.18 |
| **2y AAA Muni/10y UST** | 58.9% | 60.4% | -1.5% |
| **10y AAA Muni/10y UST** | 58.5% | 68.1% | -9.7% |
| **U.S. Aggregate** | 4.53 | 4.68 | -0.15 |
| **IG Corps** | 5.06 | 5.42 | -0.36 |
| **U.S. High Yield** | 7.59 | 8.96 | -1.37 |
| **Municipals** | 3.22 | 3.55 | -0.33 |
| **MBS** | 4.68 | 4.71 | -0.03 |
| **Asset Backed Securities** | 5.65 | 5.89 | -0.24 |

The main factor behind the decline in the 10-year Treasury rate can be attributed to a significant and swift reduction in monthly inflation growth during the last third of the year. During the December 12-13 FOMC meeting, the Federal Reserve acknowledged the decline in price pressure and unveiled a new forecast that anticipated three cuts of twenty-five basis points in 2024. Following the meeting, the 10-year Treasury rate experienced a relatively rapid decrease of approximately 40 basis points over the subsequent trading weeks. The market ramped up its forecast for rate cuts by pricing in six twenty- five basis point rate cuts in 2024 (as indicated below).

**Chart 2 - Fed Fund Futures (CME Group)**

| CME FEDWATCH TOOL - MEETING PROBABILITIES | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| MEETING DATE | 325-350 | 350-375 | 375-400 | 400-425 | 425-450 | 450-475 | 475-500 | 500-525 | 525-550 |
| 1/31/2024 | | | | 0.0% | 0.0% | 0.0% | 0.0% | 8.8% | 91.2% |
| 3/20/2024 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 6.0% | 64.8% | 29.2% |
| 5/1/2024 | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 5.2% | 57.7% | 33.5% | 3.6% |
| 6/12/2024 | 0.0% | 0.0% | 0.0% | 0.1% | 6.0% | 57.3% | 33.1% | 3.5% | 0.0% |
| 7/31/2024 | 0.0% | 0.0% | 0.1% | 5.2% | 51.1% | 36.1% | 7.1% | 0.4% | 0.0% |
| 9/18/2024 | 0.0% | 0.1% | 4.8% | 47.4% | 37.3% | 9.4% | 1.0% | 0.0% | 0.0% |
| 11/7/2024 | 0.0% | 3.2% | 32.8% | 40.7% | 19.0% | 3.9% | 0.4% | 0.0% | 0.0% |
| 12/18/2024 | 2.6% | 27.0% | 39.2% | 23.3% | 6.8% | 1.0% | 0.1% | 0.0% | 0.0% |

Interest rate volatility remained notably elevated throughout the year, with the 10-year treasury yield exhibiting a range of 170 basis points between its highest and lowest points. Similarly, the 2-year treasury experienced a range of 149 basis points over the year. By the end of the year, both rates were approaching their lows for the year, reflecting the market's consensus anticipation of lower rates in the future. Additionally, the Treasury curve recovered some of its steepness, with shorter rates falling more than longer rates during the year.

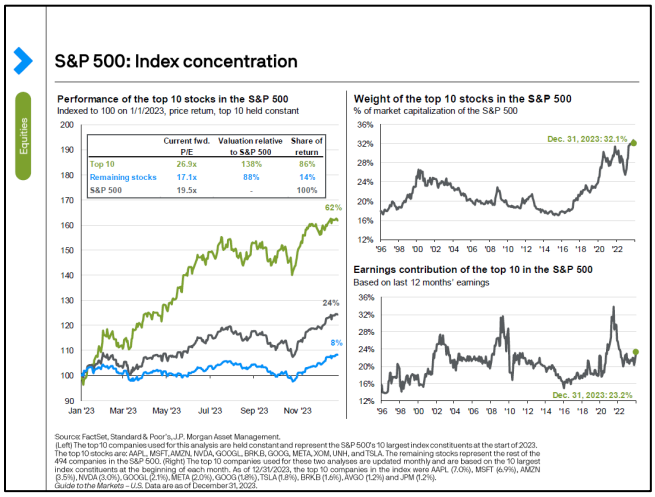
Corporate and municipal credit spreads concluded 2023 at their lowest levels for the year, providing credit products with some of the highest total returns of the year. The 10-year municipal to treasury ratio, which started at 68% in 2023, concluded the year at 58%, reaching its highest point of 76% in October. Investment-grade corporate bonds began the year with an option-adjusted spread to Treasuries of +167 basis points and finished at the year's low of +138 basis points. IG (investment grade) corporates had peaked at +190 basis points in March, following the repercussions of the regional banking failures.

## III. THE ECONOMY

In the initial months of 2023, forecasts were filled with concern about the economy and financial markets. The apprehensions escalated in March due to the unforeseen collapses of Silicon Valley Bank, Signature Bank, and First Republic Bank. These failures, precipitated by a substantial decline in the value of the banks' bond portfolios, heightened concerns over a potential regional banking crisis and an impending economic recession. Nonetheless, the Federal Reserve's prompt intervention to bolster the stability of regional banks played a pivotal role in reinstating investor confidence in the financial markets and the economy. Thus, the year unfolded with remarkable economic resilience. The growth rate surged impressively to 5.2% in the third quarter, and simultaneously, inflation steadily declined, although it remained well above the Federal Reserve's target of 2%. Though the economy may decelerate in 2024, a soft economic landing appears achievable. Yet, the diminishing consumer and business expenditure could make the economy susceptible to unforeseen shocks.

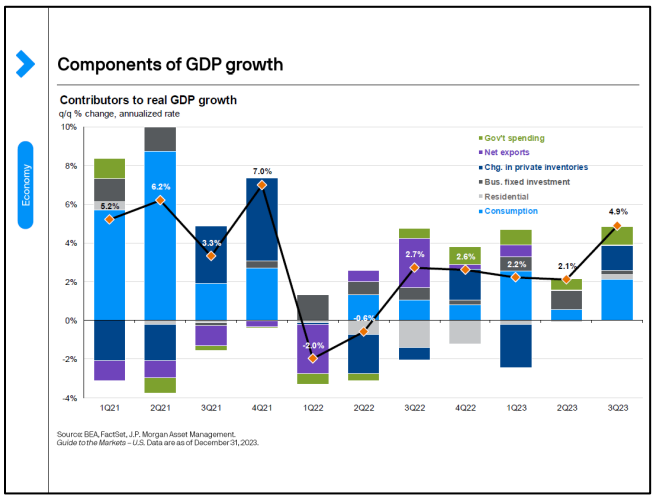
As for the Federal Reserve, the past two years have witnessed a cumulative rate hike of 5.25%. The latest indications suggest that the era of increasing rates may have concluded. Despite holding rates steady in their December meeting and hinting at a peak (more on this later), the Fed remains cautious against premature rate reductions, hinting at persistently higher rates, especially if recession risks loom.

**Uneven Returns on Equities**




Despite the Fed's tightening, the equity markets recorded strong gains with minimal volatility in 2023. This contrasted starkly with the bond markets, which struggled with high-interest rate volatility and supply imbalances. The investment landscape in 2024 remains uncertain, particularly due to geopolitical tensions. However, opportunities have emerged in attractive valuations in the equity market (outside of the largest stocks) and solid return prospects in fixed income.

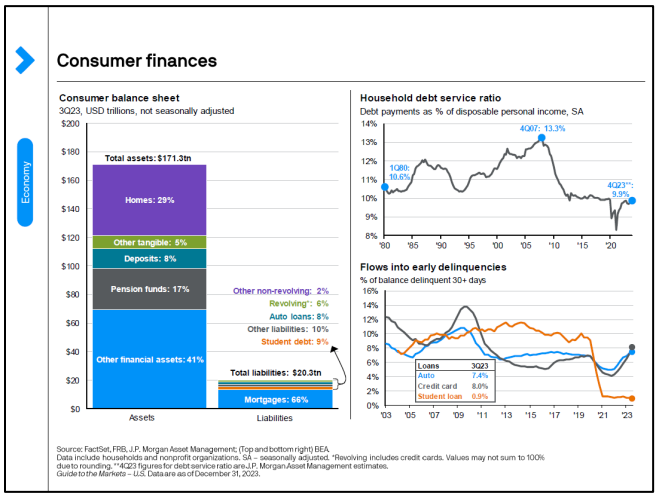
**US GDP Growth**




The U.S. economy exhibited robustness, particularly in the first three quarters, with real GDP growth surpassing expectations. Although overall economic momentum is

predicted to be moderate in the coming year, business spending in certain sectors, like intellectual property and artificial intelligence, fared better than anticipated in 2023. Yet, challenges such as cautious lending practices and decelerating corporate profits might restrict capital expenditure growth in 2024.

**Consumer**




The consumer sector remained strong, buoyed by a robust job market and increasing real wages. However, signs of strain are emerging, with rising credit delinquencies and financial stress among younger demographics. With a softening labor market and stringent lending standards, consumer spending is anticipated to grow more slowly.

**Labor**

The labor market is returning to normalcy after significant fluctuations during the pandemic. The unemployment rate has stabilized, but wage growth in the private sector shows signs of cooling down. Despite these changes, concerns about wage-induced inflation are minimal. Demographic shifts indicate slower labor force growth in the future, potentially leading to tighter labor markets and possibly encouraging immigration and higher labor force participation.

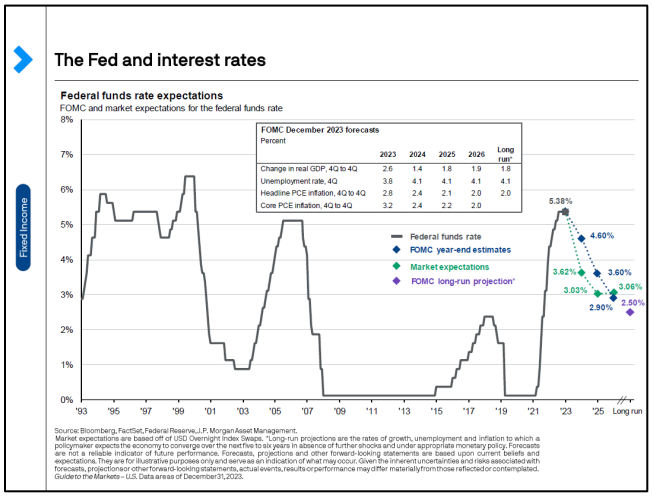
**Corporate Earnings**

Corporate America has mirrored the economy's resilience, with earnings outperforming expectations. Revenue growth was a significant driver, though higher costs pressured profit margins. Sustaining profit margins in a slowing economy might be challenging, but firms with solid fundamentals are expected to outperform.

**Inflation**

After peaking in 2022, inflation cooled considerably in 2023, with headline CPI dropping to 3.1% year-over-year in November. This downward trend in inflation, particularly in core goods prices and volatile sectors like energy and food, is anticipated to continue. Challenges persist in core services prices outside housing, but overall, the trend towards the Fed's target of 2% inflation seems attainable by mid-2024.

**The Federal Reserve**



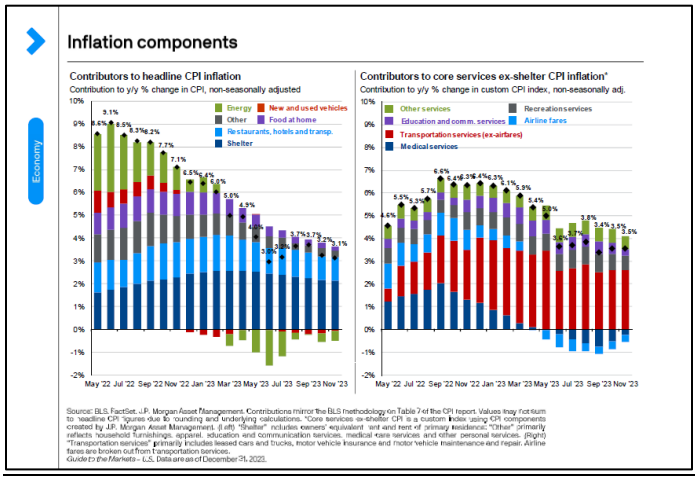

The Federal Reserve's rate hike cycle appears to have reached its peak, with the last significant hike in July. The Fed's stance balances acknowledging economic resilience and maintaining a cautious approach to future policy adjustments. The Fed's "Dot Plot" indicates a 0.75% decrease in rates in 2024, although the Fed still forecasts inflation to remain above its 2% target. The Fed Funds futures market is forecasting over 1% in rate cuts in 2024, with the first rate cut in March.

The global economy, while varied in performance, showed strength in 2023. Economic prospects for regions such as the Eurozone, China, and emerging markets offer a mixed picture.

In summary, the economic landscape in 2023 was defined by resilience in the face of adversity, and the outlook for 2024, while mixed, leans towards cautious optimism. The Federal Reserve's monetary policy will continue to play a pivotal role, and the global economic scenario, with its mixed prospects, will remain an important factor in shaping the U.S. economic trajectory.

**Trends in Inflation: A Shift Towards Stability**

After an extended period of elevated inflation, there are now indications that inflation is starting to moderate. Several factors that had been contributing to heightened inflationary pressures are stabilizing, with the exception of the energy sector, which remains a notable outlier. While inflation still sits slightly above the desired levels, there is a clear path toward a reduction in inflation to more sustainable levels.




**Federal Reserve's Policy Trajectory**

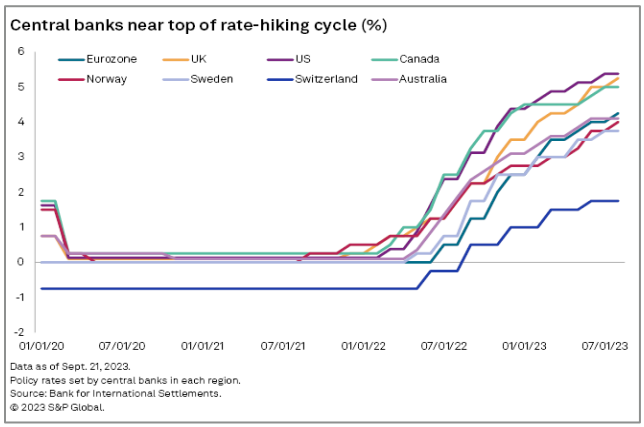
The Federal Reserve has recently opted to keep its policies unchanged following a series of rate hikes aimed at addressing inflation. However, the guidance from the Fed suggests a cautious approach, and there is an expectation of a gradual economic slowdown. As the emphasis shifts from rate hikes to the possibility of rate reductions, different economic scenarios could potentially have a positive impact on fixed-income investment opportunities.

**International Economic Pulse: A Varied Landscape**

At the close of the previous year, the global economy appeared to be slowing down, but recent developments have reignited hopes for a resurgence. However, economic giants like the Eurozone and China have not met the expectations for their performance. In contrast, India and Japan have displayed promising trends, providing a counterbalance to the global economic narrative. With these varying growth trajectories, international economic efforts may encounter potential challenges. Nevertheless, the evolving global landscape presents a range of investment opportunities, particularly in emerging markets and the technology sector.

**What's to come?**

As we look back on the economic narratives of recent quarters, it's clear that the global economy is delicately poised. The resilience displayed in the third quarter is noteworthy, but underlying data suggests the possibility of a slowdown in momentum. The complex interplay of factors




such as the labor market, inflation, global economic trends, and the Federal Reserve's strategic stance highlights the challenges on the horizon.

Examining the historical track record of the Fed reveals that achieving a "soft landing" is the exception rather than the rule. However, there is a growing belief among economists that the Fed might be able to accomplish it this time.

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

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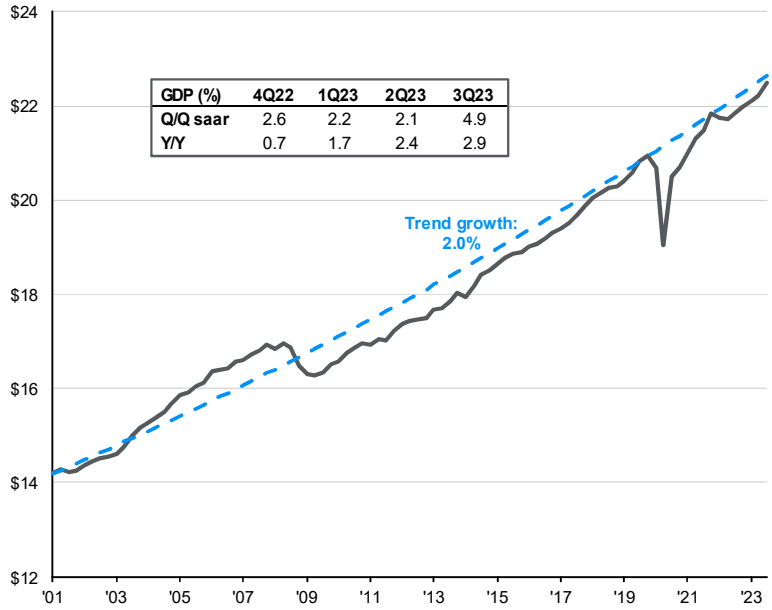
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Economy

# Economic growth and the composition of GDP

**Real GDP**

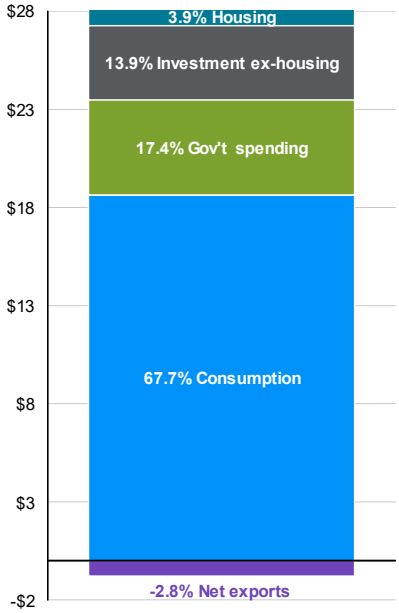
Trillions of chained (2017) dollars, seasonally adjusted at annual rates




| GDP (%) | 4Q22 | 1Q23 | 2Q23 | 3Q23 |
|---|---|---|---|---|
| Q/Q saar | 2.6 | 2.2 | 2.1 | 4.9 |
| Y/Y | 0.7 | 1.7 | 2.4 | 2.9 |

**Components of GDP**

3Q23 nominal GDP, USD trillions



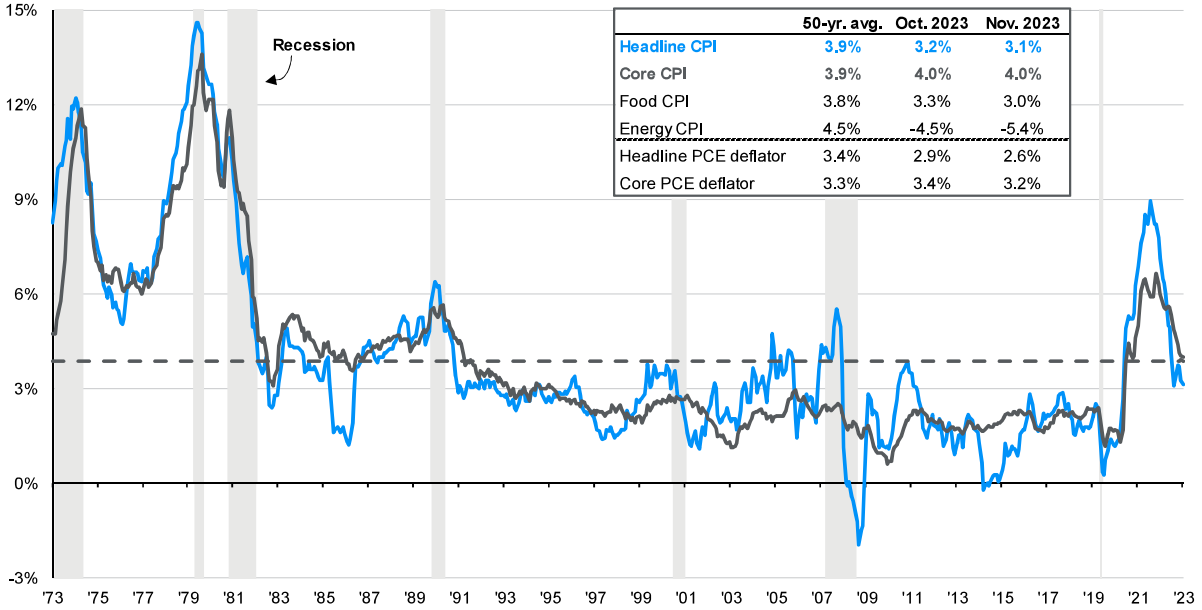

Source: BEA, FactSet, J.P. Morgan Asset Management. Values may not sum to 100% due to rounding. Trend growth is measured as the average annual growth rate from business cycle peak 1Q01 to business cycle peak 4Q19.
*Guide to the Markets – U.S.* Data are as of December 31, 2023.

Economy

# Inflation

**CPI and core CPI**

% change vs. prior year, seasonally adjusted




| | 50-yr. avg. | Oct. 2023 | Nov. 2023 |
|---|---|---|---|
| Headline CPI | 3.9% | 3.2% | 3.1% |
| Core CPI | 3.9% | 4.0% | 4.0% |
| Food CPI | 3.8% | 3.3% | 3.0% |
| Energy CPI | 4.5% | -4.5% | -5.4% |
| Headline PCE deflator | 3.4% | 2.9% | 2.6% |
| Core PCE deflator | 3.3% | 3.4% | 3.2% |

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 December 31, 2023.

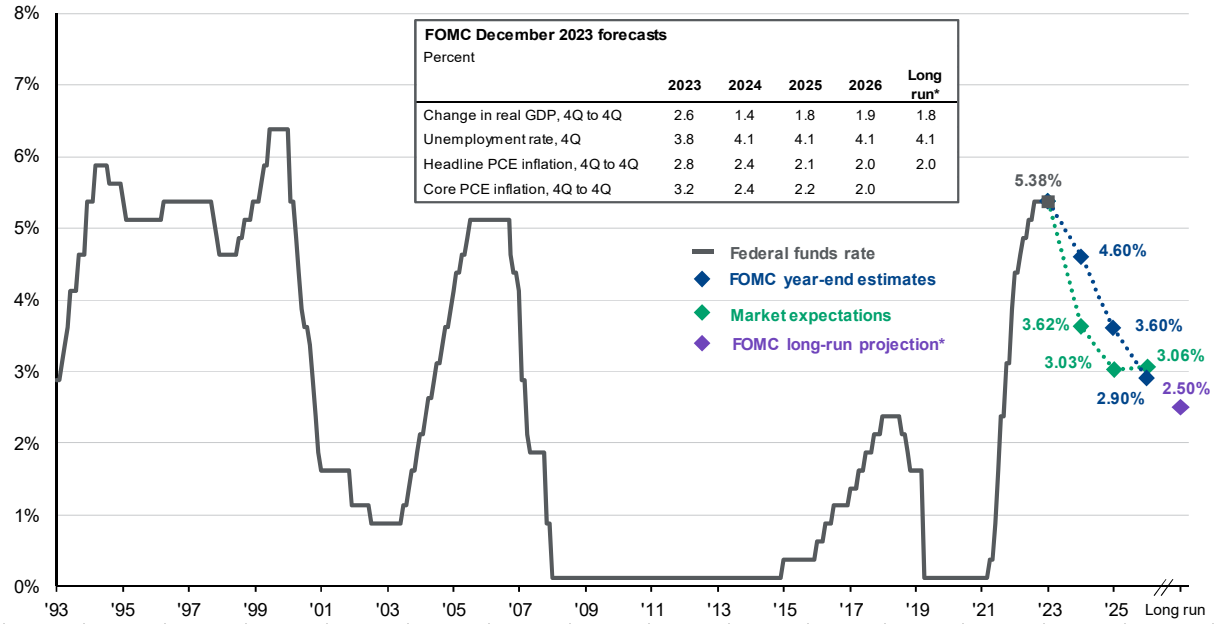
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Fixed Income

# The Fed and interest rates

**Federal funds rate expectations**

FOMC and market expectations for the federal funds rate

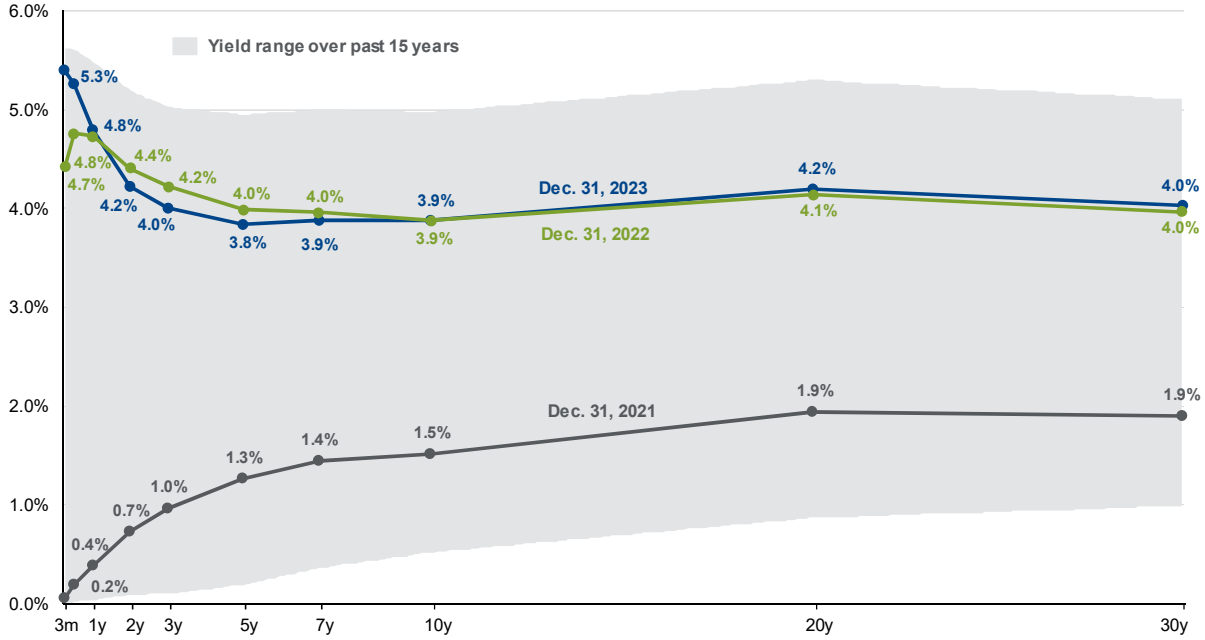



Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.
Market expectations are based off of USD Overnight Index Swaps. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in 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 December 31, 2023.

Fixed Income

# Yield curve

**U.S. Treasury yield curve**




Source: FactSet, Federal Reserve, J.P. Morgan Asset Management.
*Guide to the Markets – U.S.* Data are as of December 31, 2023.

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Equities

## S&P 500 valuation measures

**S&P 500 Index: Forward P/E ratio**



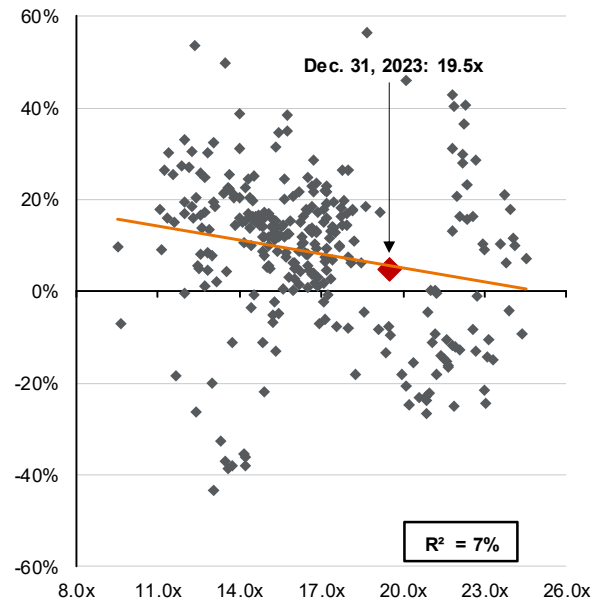

| Valuation measure | Description | Latest | 30-year avg.* | Std. dev. over/under-valued |
|---|---|---|---|---|
| P/E | Forward P/E | 19.51x | 16.59x | 0.90 |
| CAPE | Shiller's P/E | 32.43x | 27.55x | 0.79 |
| Div. Yield | Dividend yield | 1.54% | 2.00% | 1.33 |
| P/B | Price to book | 3.97x | 3.11x | 1.10 |
| P/CF | Price to cash flow | 14.82x | 11.13x | 1.64 |
| EY Spread | EY minus Baa yield | -0.33% | 0.04% | 0.20 |

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 December 1998 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 December 31, 2023.

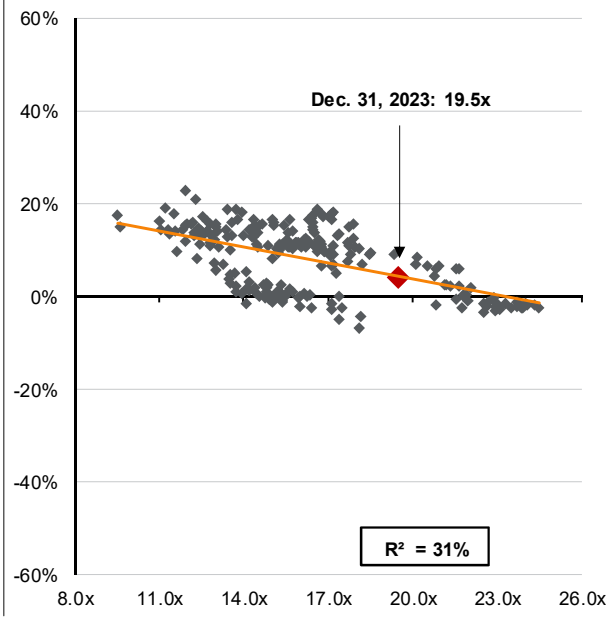
Equities

## 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 11/30/1998. $R^2$ 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.
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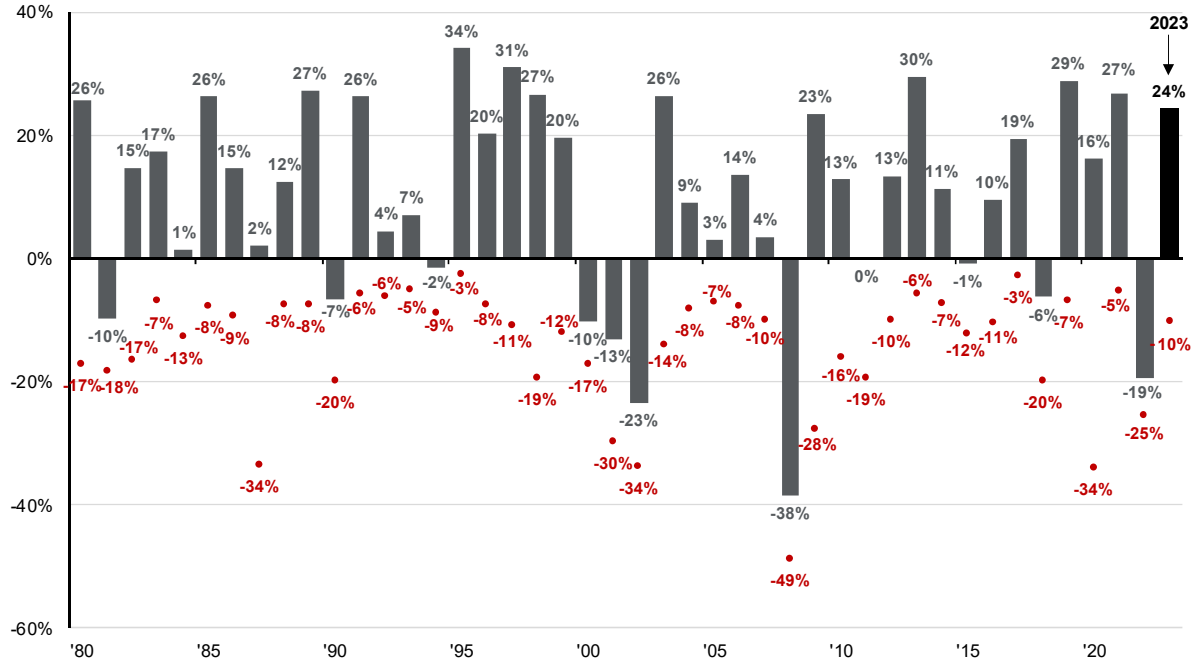
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Equities

# 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 9.0%.
*Guide to the Markets – U.S.* Data are as of December 31, 2023.

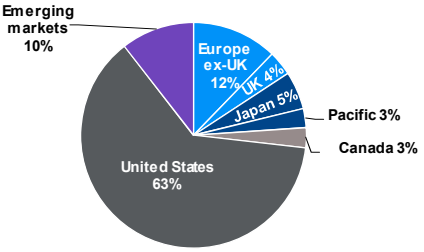
International

# Global equity markets

| Returns | 2023 | | 2022 | | 15-years | |
|---|---|---|---|---|---|---|
| | Local | USD | Local | USD | Ann. | Beta |
| **Regions** | | | | | | |
| U.S. (S&P 500) | - | 26.3 | - | -18.1 | 14.0 | 0.9 |
| AC World ex-U.S. | 14.7 | 16.2 | -9.2 | -15.6 | 7.2 | 1.0 |
| EAFE | 16.8 | 18.9 | -6.5 | -14.0 | 7.4 | 1.0 |
| Europe ex-UK | 17.3 | 22.7 | -12.2 | -17.3 | 8.0 | 1.2 |
| Emerging markets | 10.3 | 10.3 | -15.2 | -19.7 | 6.9 | 1.0 |
| **Selected Countries** | | | | | | |
| Japan | 29.0 | 20.8 | -4.1 | -16.3 | 6.2 | 0.7 |
| United Kingdom | 7.7 | 14.1 | 7.2 | -4.8 | 6.9 | 1.0 |
| France | 18.1 | 22.3 | -6.9 | -12.7 | 8.1 | 1.2 |
| Canada | 13.3 | 16.4 | -5.8 | -12.2 | 8.3 | 1.1 |
| Germany | 19.8 | 24.0 | -16.5 | -21.6 | 6.6 | 1.3 |
| China | -10.6 | -11.0 | -20.6 | -21.8 | 4.6 | 0.9 |
| Taiwan | 31.1 | 31.3 | -21.3 | -29.1 | 14.2 | 1.0 |
| India | 22.0 | 21.3 | 3.0 | -7.5 | 11.1 | 1.0 |
| Brazil | 22.7 | 33.4 | 8.6 | 14.6 | 5.4 | 1.3 |

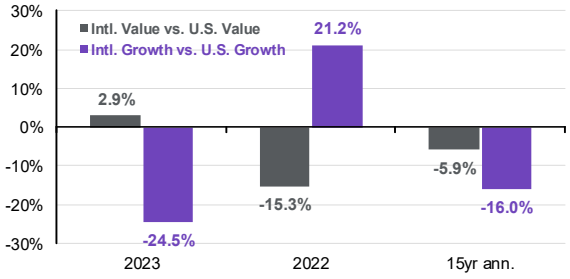
### Weights in MSCI All Country World Index

% global market capitalization, float adjusted




### Global Value and Growth returns

Monthly, USD, total return



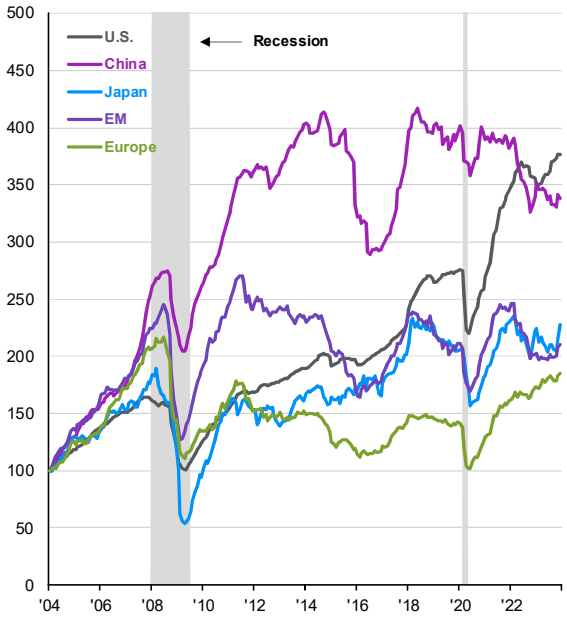

Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management. (Left) All return values are MSCI Total Return Index (Gross) data. 15-year history based on USD returns. 15-year return and beta figures are calculated using a rolling 12-month time period ending with the previously completed month. 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 4. 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) U.S. Value = Russell 1000 Value Index, U.S. Growth = Russell 1000 Growth index, intl. Value = MSCI AC World ex. U.S. Value Index, intl. Growth = MSCI AC World ex. U.S. Growth Index. The 15yr. annualized figures are based on rolling data.
*Guide to the Markets – U.S.* Data are as of December 31, 2023.

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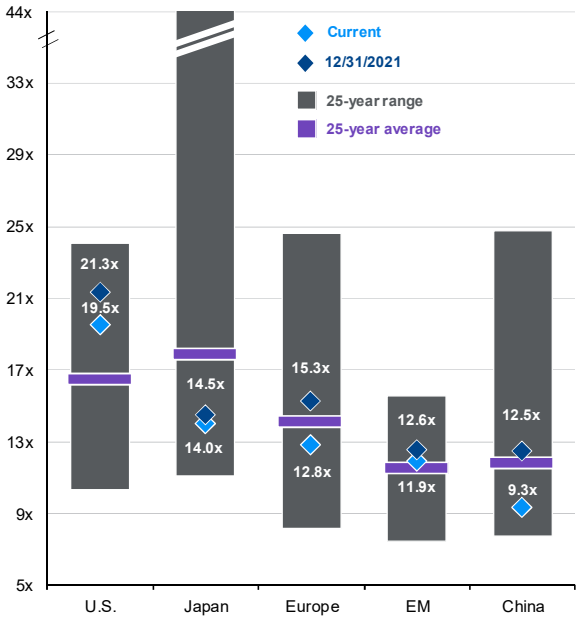
International

## International equity earnings and valuations

**Global earnings estimates**
Jan. 2004 = 100, next 12 months consensus estimates, U.S. dollars




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

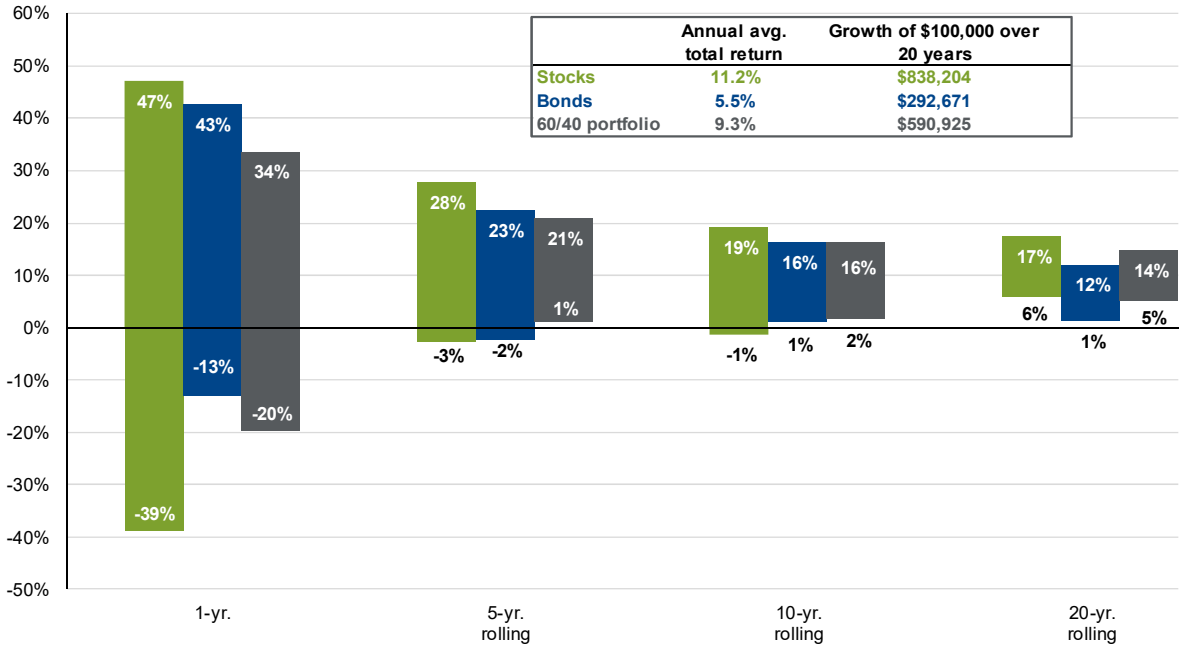



Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management. Next 12 months consensus estimates are based on pro-forma earnings and are in U.S. dollars. MSCI Europe includes the eurozone as well as countries not in the currency bloc, such as Norway, Sweden, Switzerland and the UK (which collectively make up almost half of the overall index). 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 December 31, 2023.

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 | 11.2% | $838,204 |
| Bonds | 5.5% | $292,671 |
| 60/40 portfolio | 9.3% | $590,925 |

Source: Bloomberg, FactSet, Federal Reserve, Robert Shiller, 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 and Bonds represent Strategas/Ibbotson for periods from 1950 to 2010 and Bloomberg Aggregate thereafter. Growth of $100,000 is based on annual average total returns from 1950 to 2023.
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