

MARKET INSIGHTS

Investing for a Post-Pandemic World: A Guide to the Markets



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J.P. Morgan Asset Management
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1

Investment themes

1. Omicron and fiscal standoff are slowing the economy in the first quarter.
2. Strong wage growth should keep inflation above the Fed's target.
3. Global central banks are turning more hawkish, pushing long rates higher.
4. Earnings growth will be squeezed in 2022.
5. Difficult fundamentals and lofty valuations will limit gains in plain-vanilla portfolios.
6. Mispricing across and within asset classes point to opportunities for active managers.
7. Investors need to diversify in looking for growth and income.
8. Investors need to reposition their portfolios for a post-pandemic world.

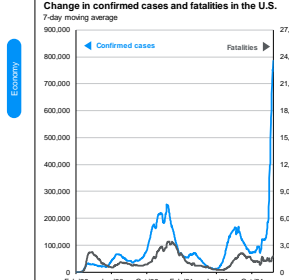
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2

1. Omicron and fiscal standoff are slowing the economy in the first quarter.

After Omicron, the pandemic's impact on the economy should fade. GMT U.S. 19

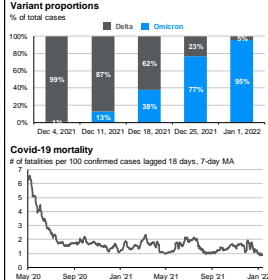
Change in confirmed cases and fatalities in the U.S.
7-day moving average



Variant proportions
% of total cases

Date	Delta	Omicron
Dec 4, 2021	99%	1%
Dec 11, 2021	87%	13%
Dec 18, 2021	62%	38%
Dec 25, 2021	23%	77%
Jan 1, 2022	5%	95%

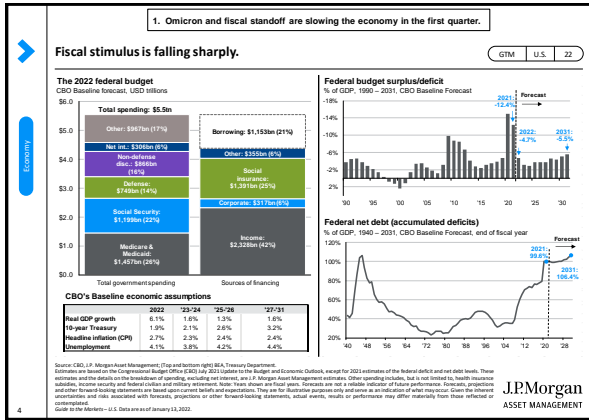
Covid-19 mortality
of fatalities per 100 confirmed cases lagged 18 days, 7-day MA



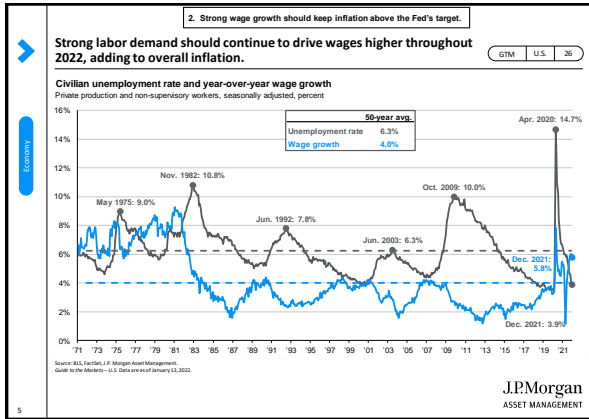
Source: Centers for Disease Control and Prevention, Johns Hopkins CSSE, Our World in Data, J.P. Morgan Asset Management.
*Note: All other percentages that has increased at least one percent since **% reflected only represents the number of people who have been infected by COVID-19 by using the CDC's estimates that in a COVID-19 infection were reported. ***% of infected & unvaccinated reflect those that have been both infected and unvaccinated, ensuring those infected equally likely to be hospitalized than uninfected.
Data for the slides - U.S. Data as of January 13, 2022.

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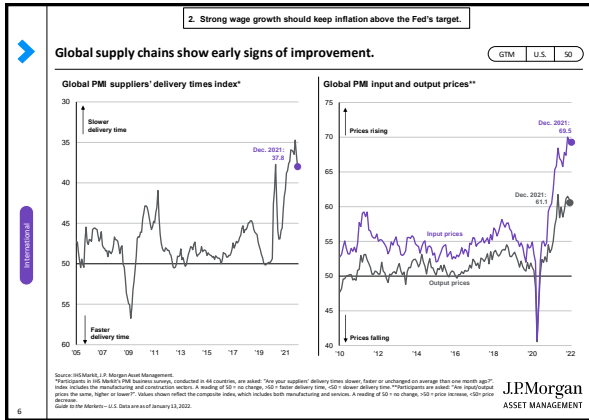
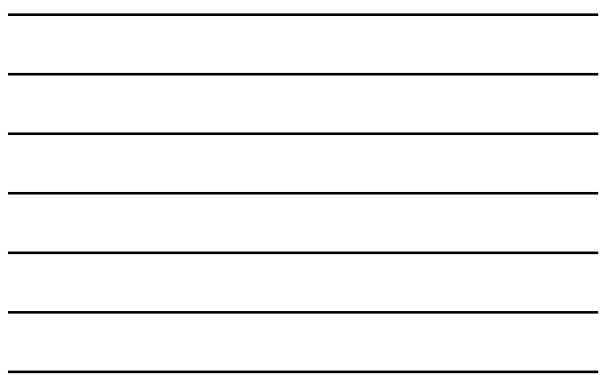
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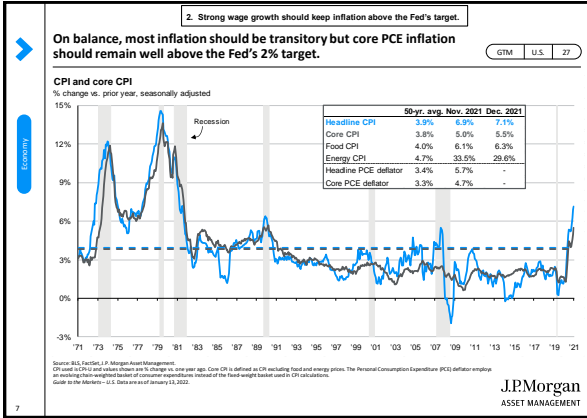


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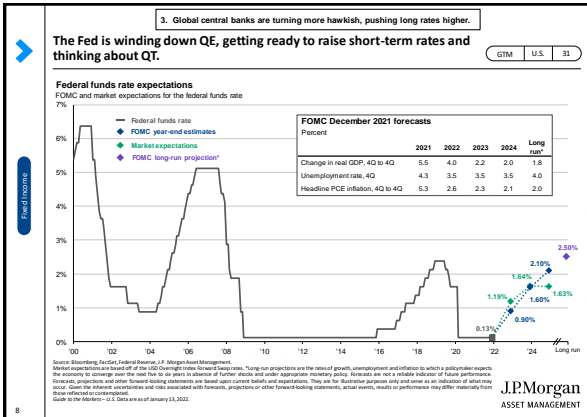
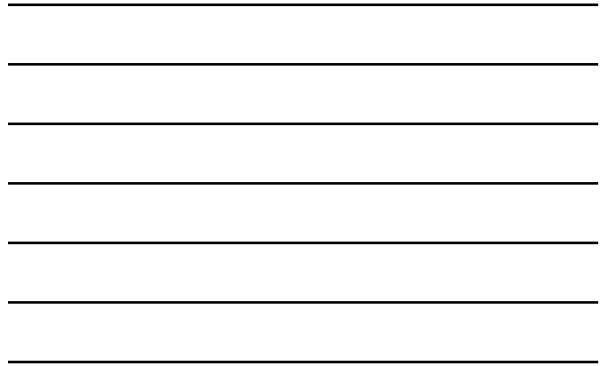


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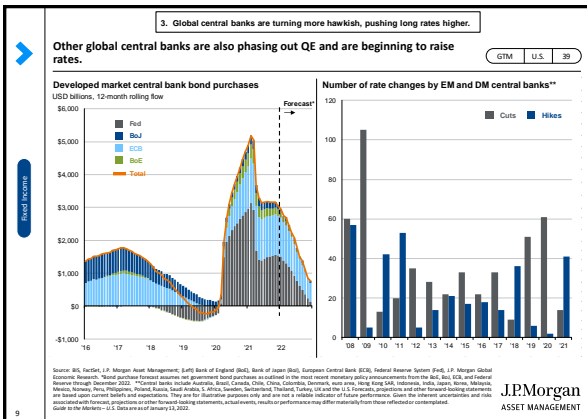
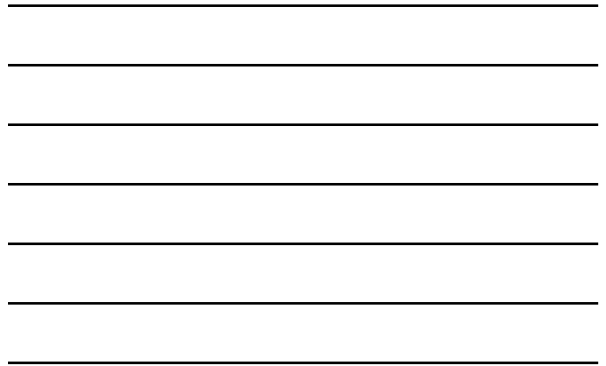




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9



4. Earnings growth will be squeezed in 2022.

Earnings will grow much more slowly in 2022. GTM U.S. 8

S&P 500 year-over-year operating EPS growth

Annual growth broken into revenue, changes in profit margin & changes in share count

Share of EPS growth	2021*	Avg. '01-20
Margin	21.6%	2.9%
Revenue	16.4%	3.0%
Share count	-0.6%	0.3%
Total EPS	67.7%	6.0%

Source: FactSet, Compustat, Standard & Poor's, J.P. Morgan Asset Management. *2021* is preliminary. **2021 earnings estimates are based on analyst consensus. All data as of January 13, 2022.

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10



5. Difficult fundamentals and lofty valuations will limit gains in plain-vanilla portfolios.

The potential return from a plain vanilla 60/40 portfolio is severely limited by low bond yields... GTM U.S. 34

Yield	Return				
	01/13/2022	12/31/2021	2022 YTD	Avg. Maturity to 10-year	Correlation to S&P 500
U.S. Treasuries					
2-Year	0.91%	0.73%	-0.28%	2 years	0.67
5-Year	1.47%	1.26%	-0.96%	5	0.92
TIPS	-0.73%	-1.04%	-1.98%	10	0.57
10-Year	1.70%	1.52%	-1.80%	10	1.00
30-Year	2.05%	1.90%	-3.34%	30	0.93
Sector					
IG Corps	2.54%	2.33%	-1.09%	12.2	0.42
U.S. Aggregate	1.96%	1.75%	-1.31%	8.8	0.85
Convertibles	3.36%	3.66%	-2.36%	-	-0.28
U.S. HY	4.51%	4.21%	-0.66%	6.5	-0.25
Municipals	1.32%	1.11%	-0.92%	13.0	0.37
MBS	2.22%	1.98%	-1.13%	6.5	0.81
ABS	2.13%	1.96%	-0.19%	2.4	-0.04
Roating Rate	0.48%	0.48%	0.04%	2.1	-0.22

Impact of a 1% rise in interest rates

Assumes a parallel shift in the yield curve

Source: Bloomberg, FactSet, Standard & Poor's, U.S. Treasury, J.P. Morgan Asset Management. Sector returns above are provided by Bloomberg unless otherwise noted and are not representative of any J.P. Morgan investment. All data as of January 13, 2022.

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11



5. Difficult fundamentals and lofty valuations will limit gains in plain-vanilla portfolios.

...and high equity valuations. GTM U.S. 5

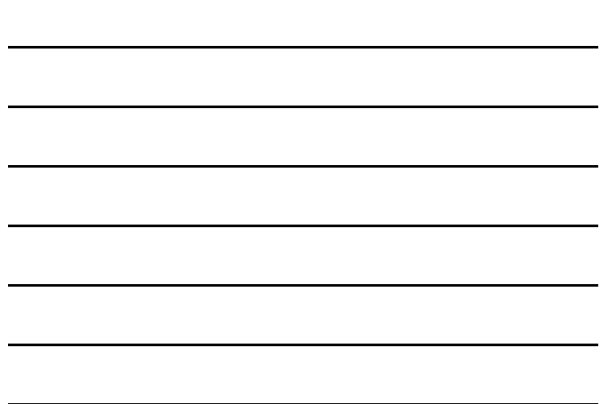
S&P 500 Index: Forward P/E ratio

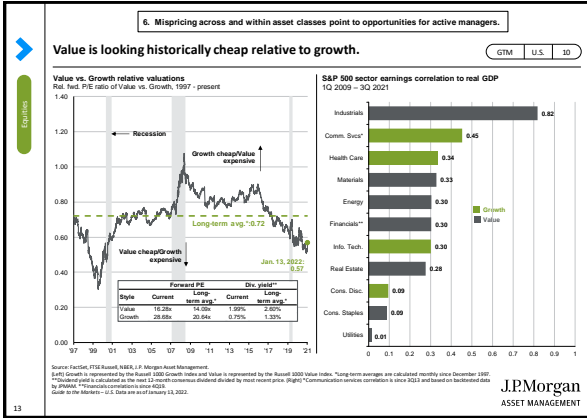
Valuation measure	Description	Latest	25-year avg.	Std. dev. Over-Under-Valued
P/E	Forward P/E	20.7x	16.5x	1.9x
CAPE	Shiller's P/E	38.43	27.95	1.63
Div. Yield	Dividend yield	1.39%	2.07%	1.85
P/B	Price to book	4.29	3.68	1.01
P/CF	Price to cash flow	15.58	11.13	2.02
EV Spread	EV minus book yield	1.31%	0.17%	0.52

Source: FactSet, IGA, Robert Shiller, Refinitiv Datastream, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management. P/E ratio is calculated as price divided by earnings and is calculated as the most recent trailing P/E ratio. P/B ratio is calculated as price divided by book value and is calculated as the most recent trailing P/B ratio. P/CF ratio is calculated as price divided by cash flow and is calculated as the most recent trailing P/CF ratio. EV Spread is calculated as EV minus book value and is calculated as the most recent trailing EV Spread. All data as of January 13, 2022.

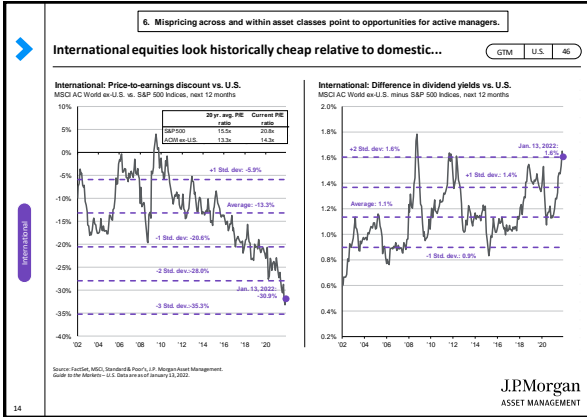
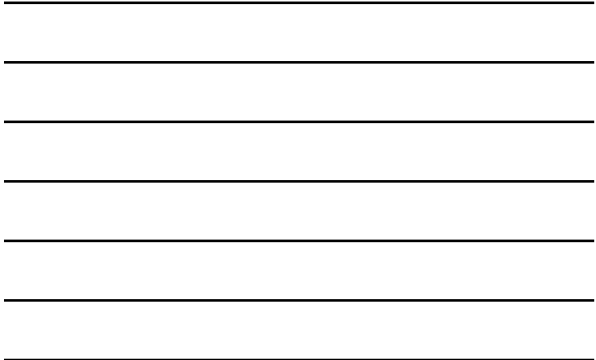
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12

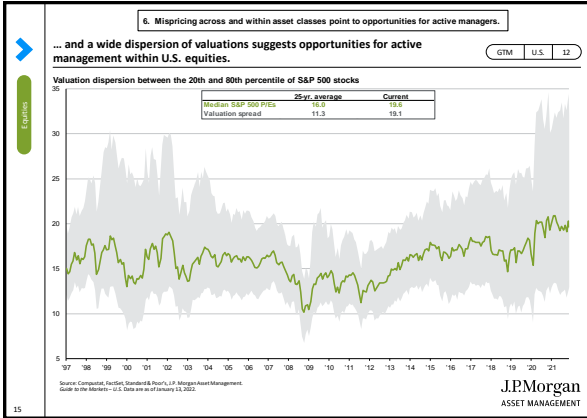




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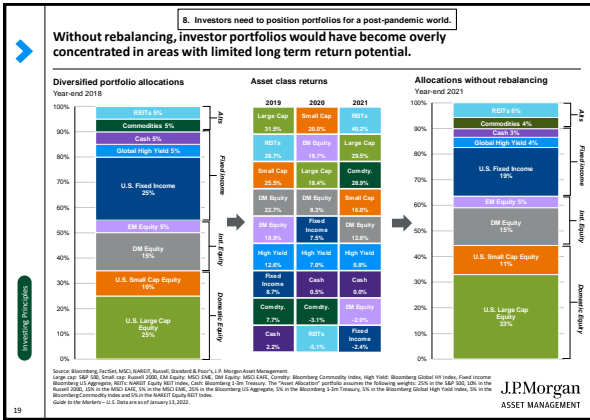


14



15





19



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20



J.P. Morgan Asset Management – Index definitions

GTM U.S. BR

All indices are unmanaged and an individual cannot invest directly in an index. Index returns do not include expenses.

The Dow Jones Industrial Average is a price-weighted average of 30 leading U.S. stocks.

The MSCI ACWI (All Country World Index) is a free float-adjusted market capitalization weighted index that is designed to measure the equity performance of developed and emerging markets.

The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity performance of developed markets, excluding the U.S. & Canada.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure the equity performance of the global emerging markets.

The MSCI Europe Index is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe.

The MSCI Pacific Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the Pacific region.

The Russell 1000 Index measures the performance of the 1,000 largest companies in the Russell 2000.

The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

The Russell 2000 Growth Index measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

The Russell 3000 Index measures the performance of the 3,000 largest U.S. companies based on total market value.

The Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index.

The Russell Midcap Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The index also includes the Russell 7000 Growth Index.

The Russell Midcap Value Index measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The index also includes the Russell 7000 Value Index.

The S&P 500 Index is widely regarded as the best single gauge of the U.S. equity market. The index includes a representative sample of 500 leading companies in leading markets of the U.S. economy. The S&P 500 index focuses on the large-cap segment of the market, however, since it includes a significant portion of the S&P value of the market, and represents the market.

Fixed Income

The Bloomberg US 3-Month Treasury Bill Index includes only publicly issued US Treasury bills that have a remaining maturity of less than 3 months and more than 1 month, are debt investment grade, and have a DGS ratio or more of participants from index providers. The monthly portfolio is diversified across all U.S. dollars and not the fixed rate and non-fixed rate.

The Bloomberg Global High Yield Index is a multi-currency equity measure of the global high yield debt market. The index measures the return of the US high yield, non-investment grade, and emerging markets (EM) fixed currency high yield index. The high yield and emerging markets sub-components are mutually exclusive. Last January 31, 2019 the index included 6,842 high yield securities.

The Bloomberg US High Yield Index consists of a broad selection of investment grade general obligation and municipal bonds (including emerging debt) with a 30 year, 1.5% or an overnight rate (dependent on the benchmark benchmark).

The Bloomberg US Dollar Floating Rate Note (FRN) Index provides a measure of the U.S. dollar denominated floating rate note market.

The Bloomberg US Corporate Investment Grade Index is an unmanaged index consisting of publicly issued US Corporate and specialty equity debt securities and commercial index that are rated investment grade (BBB- or higher) for minimum 12 months prior to the reporting date. There are no restrictions on their maturity and they are not subject to any special dividend payments or other special payments.

The Bloomberg US High Yield Index covers the universe of fixed rate, non-investment grade debt (subordinated and subprime) that includes high yield and emerging markets (emerging debt) of fixed FRN, FRN, and floating rate (FR) securities of investment grade, SP, and FRN) are included, but Canadian and global bonds (SEC registered) of issuance of non-SEC securities are excluded.

The Bloomberg US Mortgage Backed Securities Index is an unmanaged index that measures the performance of investment grade fixed rate mortgage backed securities through the issuer of CDOs, RMBS, and TARMBS.

The Bloomberg US TIPS Index consists of inflation-protected securities issued by the U.S. Treasury.

The J.P. Morgan Emerging Markets Bond Index includes U.S. dollar denominated emerging market bonds (including corporate, fixed rate and floating rate instruments) issued by emerging and transition economies.

The J.P. Morgan Domestic High Yield Index is designed to track the investable universe of the U.S. dollar denominated high yield credit market.

The J.P. Morgan Corporate Emerging Markets Bond Index is an unmanaged index consisting of publicly issued US Corporate and specialty equity debt securities and commercial index that are rated investment grade (BBB- or higher) for minimum 12 months prior to the reporting date. There are no restrictions on their maturity and they are not subject to any special dividend payments or other special payments.

The J.P. Morgan Emerging Markets Bond Index (Global) includes U.S. dollar denominated emerging market bonds (including corporate, fixed rate and floating rate instruments) issued by emerging and transition economies (emerging debt) of fixed FRN, FRN, and floating rate (FR) securities of investment grade, SP, and FRN) are included, but Canadian and global bonds (SEC registered) of issuance of non-SEC securities are excluded.

The J.P. Morgan Global Diversified Index tracks the performance of total currency debt (including emerging market government bonds, which are not included in the international market index).

The U.S. Treasury Index is represented by the U.S. Government Index.

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21

