

Equity Strategy

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The gap between Fed projections and equity market levels has increased further... earnings will need to accelerate in order to plug it...

- In terms of leadership, US and Japan are ahead of other markets ytd, Growth is outperforming Value and large caps are again beating small, in all key regions - page 7. We continue to believe that this style of leadership will broadly stay the case for a while longer, until there is a break, or a reset, in the cycle. For Value, commodities, low Quality, small caps, EM or International stocks to begin leading more sustainably one needs to see a reflationary backdrop, in our view, but we could have the opposite. Within this, **we have recently taken profits on US vs Eurozone OW, as the Eurozone risk-reward has improved**, in our view.
- JPM Fixed Income's call is that bond yields are fundamentally set to move lower in 2H, but we note a pickup in inflation swaps – page 13, as well as the **outright negative term premia for bonds again, which suggests that there is a lot of complacency in the bond market with respect to the inflation risk**. Consequently, the gap that has opened up ytd between Fed futures and the equity market is getting wider – page 14. Equities rallied almost 30% from last October lows, driven in Nov-Dec by the expectation of a Fed pivot, and the belief that Fed could be cutting already in March. These projections have fully reversed: at the low in October Fed was expected to cut 80bp in 2024, at the point of peak dovishness in January as much as 180bp, and now these projections are back to 80bp. Equities are ignoring the most recent pivot of a pivot, which might be a mistake.
- The assumption that the market is likely making here is one of growth acceleration coming to the rescue in 2H. In this regard, we note that earnings projections for 2024 are still not moving up - pages 26 and 27. Also, the market is too complacent with respect to downside risks - recession odds are at 7th percentile, likely too low - page 12, and Cyclical/Defensives are at '09-'10 record highs, the time when synchronised global recovery was underway post the GFC - see page 38. That is unlikely to be the template this time around, and could act as a headwind. The next time bond yields fall we do not believe the market will have as positive a reaction as it did in Nov-Dec - we might revert to a more traditional correlation between yields and equities.
- 1) US activity momentum is slowing. Labour markets remain a bright spot, for now, but that can change quickly, and retail sales momentum is waning.
- 2) Repricing of Fed futures higher in the past weeks might not be just due to better growth outlook, but also due to more persistent inflation. **Yield curve** remains strongly inverted - started in October '22, and is historically an ominous sign. It was never wrong re the downturn risk, with the time lag of 6-24 months.
- 3) Profit margins are softening, **topline growth is weakening, net interest expense is set to move back up, and ULCs could start increasing**. 2024 SPX EPS forecasts, calling for 10% profit growth re-acceleration, are at risk of downgrades. We note that weekly EPS revisions are staying negative – page 64.
- 4) **At 21x, US forward P/E is very stretched, especially vs real yields**. Dividend yield – bond yield gaps are not supportive in most places – page 75, with the exception of Japan, which remains our key regional OW.
- 5) The rally that started in November has created a complacent technical picture. **Sentiment and positioning indicators are near highs.**

...Japan remains our top regional pick... we recently closed the UW on Eurozone vs the US, as Eurozone risk-reward has improved...

- We have held a regional preference for US stocks vs International and vs EM, with the exception of our OW Japan that we initiated in December 2022. US outperformance was supported by our preference for Growth over Value style, and while we are not reversing style tilts, we have recently added some international exposure, given the now very expensive US valuations, potentially waning US exceptionalism in terms of better growth delivery and the rising risk of a momentum reversal given extreme market concentration.
- Last month we closed our UW on Eurozone that we held since May 2023. Among other, Eurozone valuations appear very attractive, relative growth momentum could be bottoming out and ECB could start moving ahead of the Fed, which would be very atypical. We also have a tactical buy on China given extreme cheapness and UW positioning by most investors, along with increasingly more aggressive policy support.
- **OW Japan.** In our global regional allocation, we have upgraded Japan to OW in December '22, and stay bullish – page 85. It remains dislocated from global cycle given meaningfully lower interest rates, Japan is a beneficiary of an exit from deflation, and of the improving governance/multiples on the back of TSE initiative. Japan still appears attractively priced, with more than half companies net cash – buybacks are accelerating. Inflows could increase further – page 86, as well as there could be a domestic reallocation into equities. We think that JPY might not need to be hedged anymore.
- **OW UK.** UK could start to be more supported given the record discount vs other regions, as well as the highest dividend yield globally. UK has done poorly in '23 as global indices were up, but crucially the UK is a low beta market, and could hold up better if markets have a pullback. Within the UK, we held **OW FTSE100 vs FTSE250** pair trade over the past 24 months, and still believe that it should not be reversed.
- **Neutral EM vs DM,** in the world of elevated Fed rates and potentially challenging geopolitics, with the meaningful risk of a restart of 2018 trade war. Medium term, China's housing market continues to go through an adjustment, with similarities to Japan in 1990, and credit multiplier is waning. Having said that, as China stocks were down 40% from Jan '23 to recent lows, we have a tactical buy on the region.
- **Neutral Eurozone.** We recently added to Eurozone, after the underperformance since May '23. It is cheaper vs the US than typical, and its total shareholder yield - dividends and buybacks - are now significantly above the US.
- **Neutral US.** The US has benefitted from a greater Growth tilt, but the concentration risk is now elevated. If markets weaken, the US typically held up better than other regions during risk-off periods, but the concern is that the US is trading at relative P/E and EPS highs, and that could constrain its performance from here. We advised in October '22 to turn more positive on Tech, and have been OW Growth vs Value in '23, which helps the US, but the Tech run has already been exceptional, and there could be increased volatility in that space ahead.
- **Neutral RoW.** Focus on Switzerland, which has a Defensive allocation and a clear below 1 beta to global equity direction, which might come in handy.

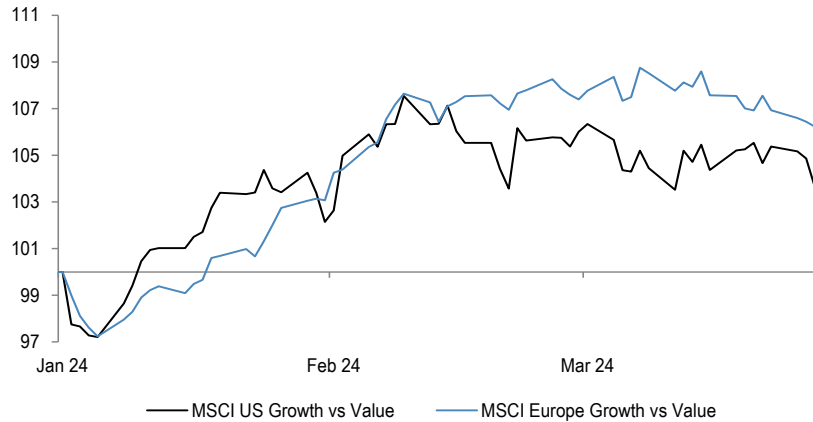
...we are still OW Growth vs Value, but acknowledge the risk of a reversal...

small caps are continuing to strongly underperform ytd, in all regions

- We are still OW Growth vs Value, continuing our call from 2023, and opposite to our preference for Value over Growth that we held in 2021 and 2022. Within this, quality Tech is still preferred, we think more Cyclical Tech is at risk, and stay cautious on unprofitable Tech. The outperformance of large vs small caps again ytd is very clear, and likely supported by fundamentals.
- Cyclical have strongly outperformed Defensives over the past 18 months, trading at P/E relative highs – page 39. We think Defensives could look better from here, especially if the overall market starts to weaken, and if earnings growth acceleration expectations do not materialize.
- **Banks (UW)** have performed very well over the past three years, up 60% relative in Europe. We took this opportunity to advise opening a short in the sector last November – page 166. Banks look cheap, on 0.7x P/B, and their balance sheets are well capitalized. However, Banks NII is likely peaking, provisioning could increase – they are currently underprovisioning vs historical norms – page 168, cost of capital will be much higher than before, and yield curve is staying heavily inverted. One should short Banks as bond yields peak out, and on the rising deposit betas. We do not think Banks will have another big leg of outperformance until central banks are undertaking a series of rate cuts. Regionally, we continue to favour Japanese Banks to European and the US ones.
- We think **Energy (OW)** looks interesting. It offers cheap valuations currently, along with a discount vs the spot, which is supported by supply constraints and low inventories. Energy is also a good hedge on elevated geopolitical risks. **Miners (N)** have lost 35% relative since January '23, and given this we closed our UW, but China outlook is staying uncertain.
- Tech is likely to hold up well, but it won't be immune to any potential consumer slowdown, given an elevated earnings base. Valuations again look unattractive, and while we do not advise going against the Tech run, still thinking that Tech will beat Cyclical and small caps from here, we do not see much further absolute upside for the sector, after a very strong run in 2023, even with lower yields - we are **Neutral**, more cautious of late on Semis and staying positioned in Defensive Growth part of the sector.
- As PMIs, EPS revisions and eventually the bond yields are likely to be subdued, we advise caution on corporate Cyclical – **Capital Goods (UW)** ex Aerospace and Defense which we keep OW, still **Chemicals (UW)**, as well as Consumer Cyclical – **Retail (UW)** and **Autos (UW)**. Defensives are likely to recover, Healthcare, Utilities and Staples. These sectors are some of the best performers around the last Fed hike in the cycle. We have in October closed our longstanding UW on **Real Estate**, post the 50% underperformance. We are **OW Telecoms**.
- Out of key themes, we highlight: Defensives and Cyclical baskets – **JPDEEDEF** and **JPDEECYC**, and Value and Growth baskets – **JPDEVALU** and **JPDEGROW**. We advise pair trades of OW Japanese Value and Banks vs US & European Value and Banks.

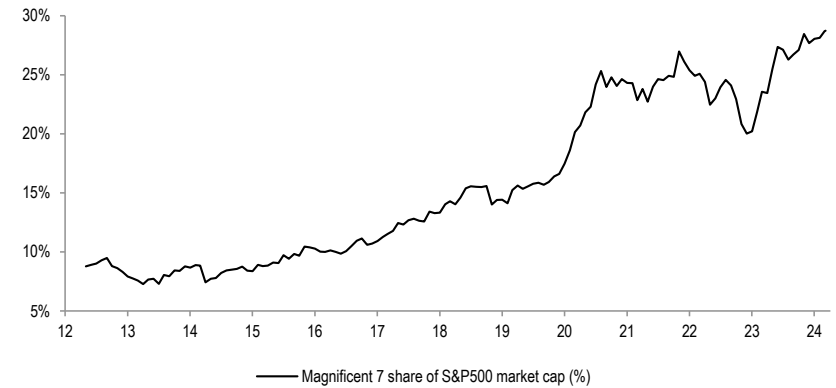
Market concentration keeps increasing... Growth is still outperforming Value... small caps are behind large caps again this year...

US and Europe Growth vs Value ytd



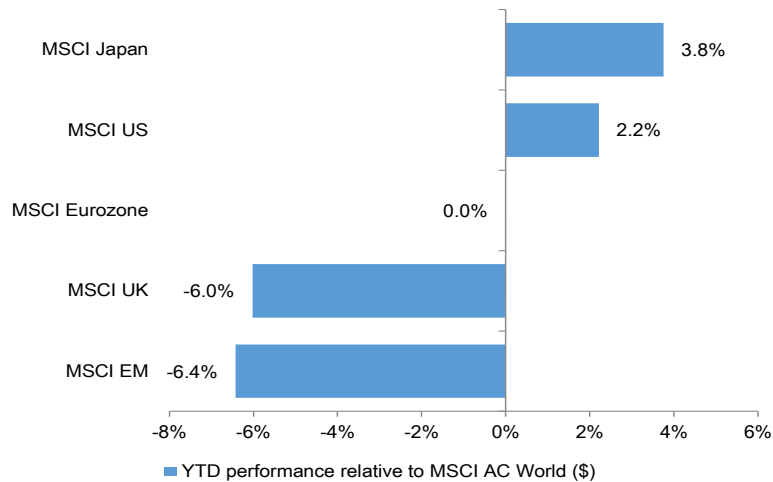
Source: Datastream

Magnificent 7 share of S&P500 market cap



Source: Datastream

Key regions ytd performance relative to MSCI AC World



Source: Datastream

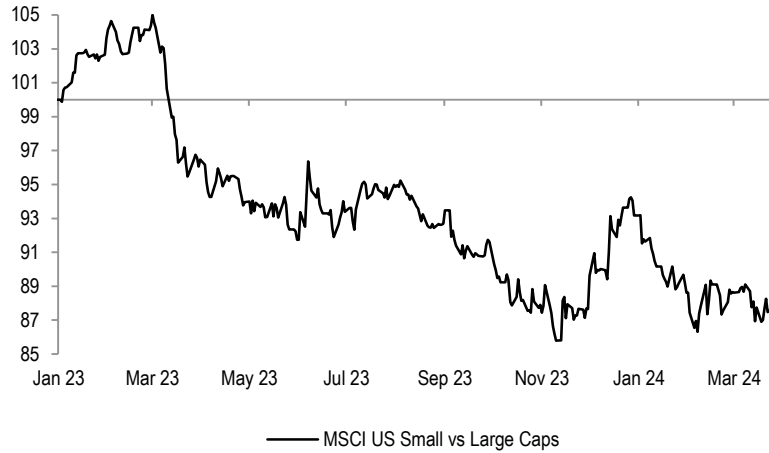
Small caps vs large caps - YTD performance

		% ytd perf
MSCI US	Small Cap	4.8%
	Large Cap	9.9%
MSCI UK	Small Cap	1.4%
	Large Cap	2.6%
MSCI Eurozone	Small Cap	3.3%
	Large Cap	9.9%
MSCI Japan	Small Cap	12.4%
	Large Cap	19.7%

Source: Datastream

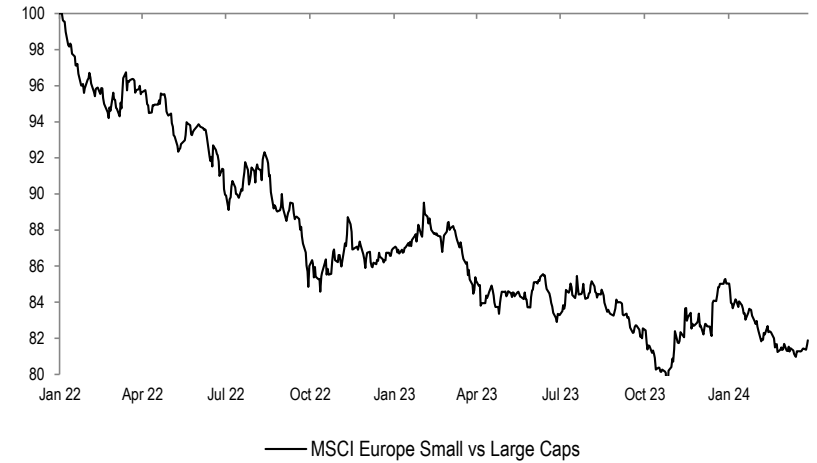
...small caps have been lagging for a while now, and their Nov-Dec bounce has been largely unwound...

US small caps vs large caps



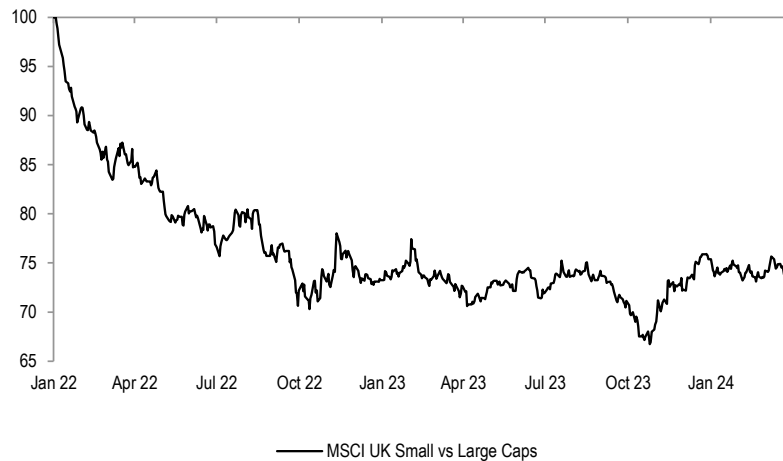
Source: Datastream

Europe small caps vs large caps



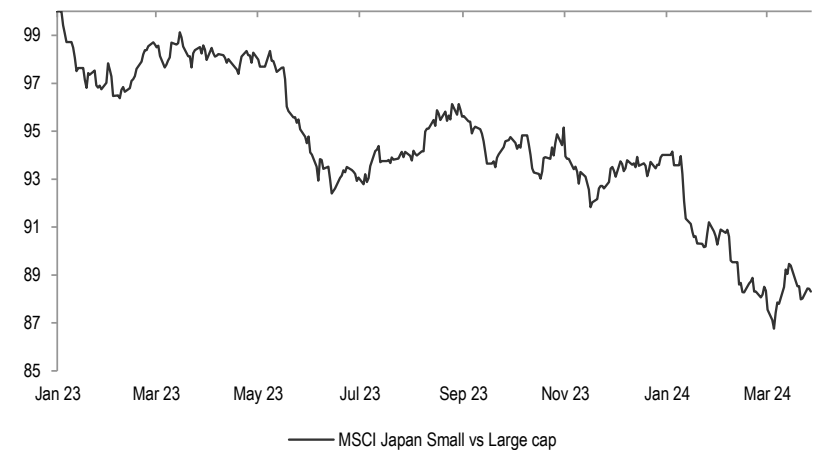
Source: Datastream

UK small caps vs large caps



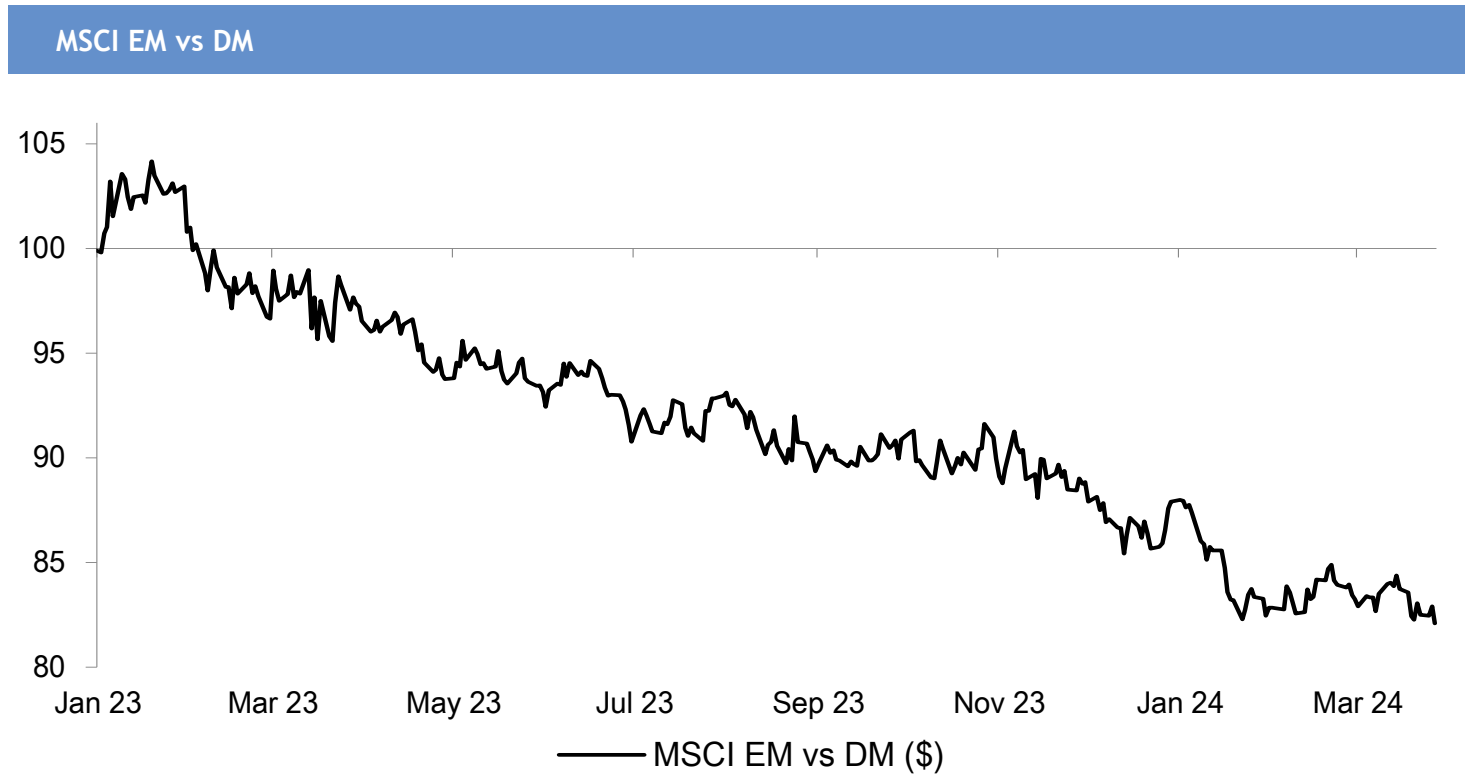
Source: Datastream

Japanese small caps vs large caps



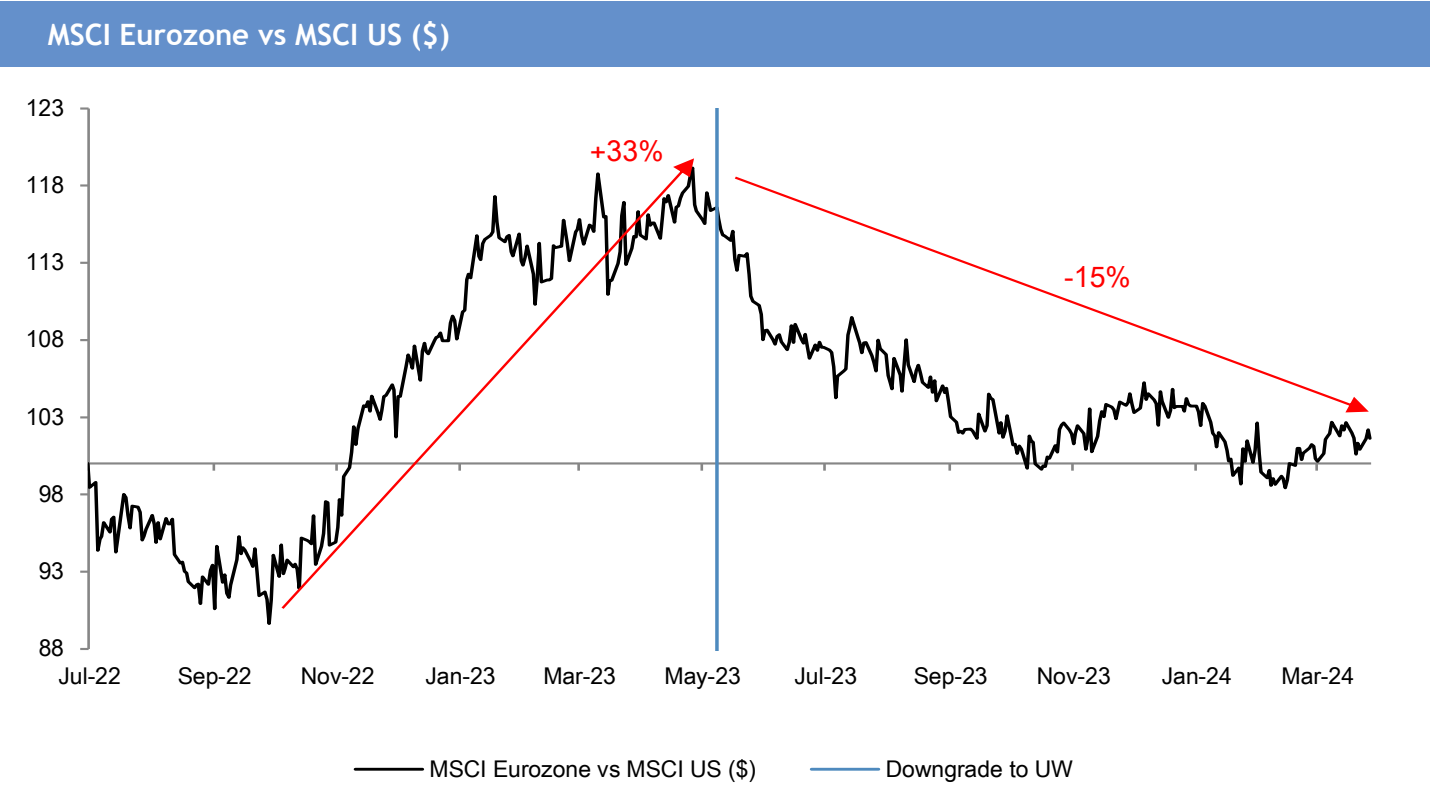
Source: Datastream

...EM were down significantly vs DM in 2023, and are behind again ytd... our caution on EM remains, but China tactical bounce could have some legs...



Source: Datastream

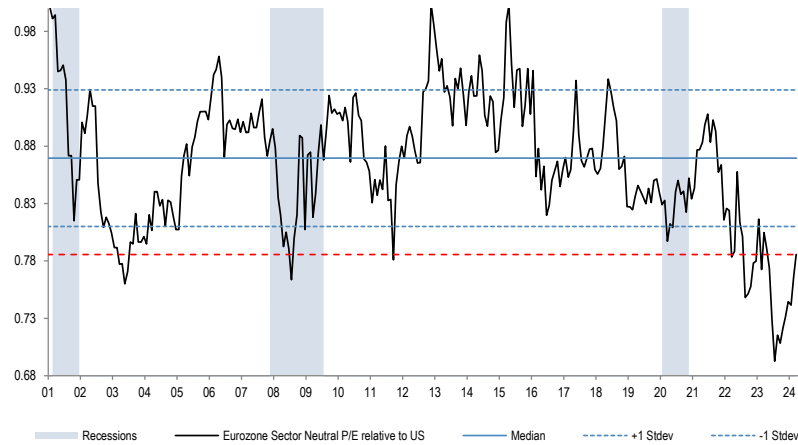
...we are closing our OW US vs Eurozone trade, that we held since May '23...



Source: Datastream

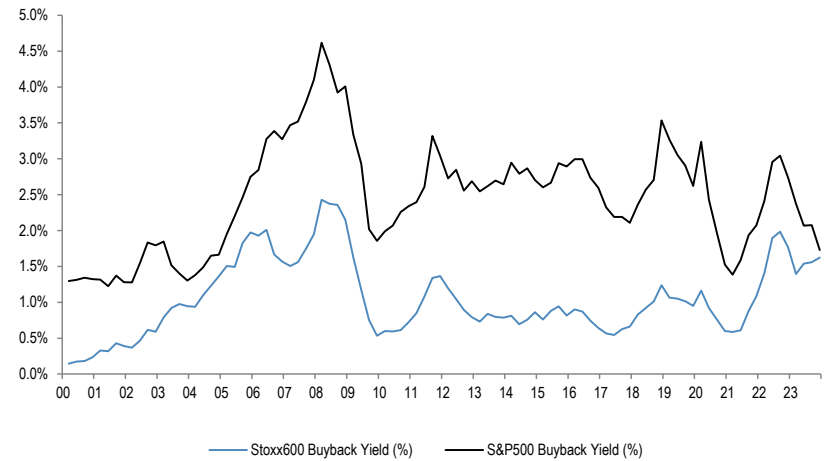
...the risk-reward for Eurozone is improving, ECB could take the lead; If there is MoMo unwind, US could suffer more

MSCI Eurozone vs US sector neutral P/E relative



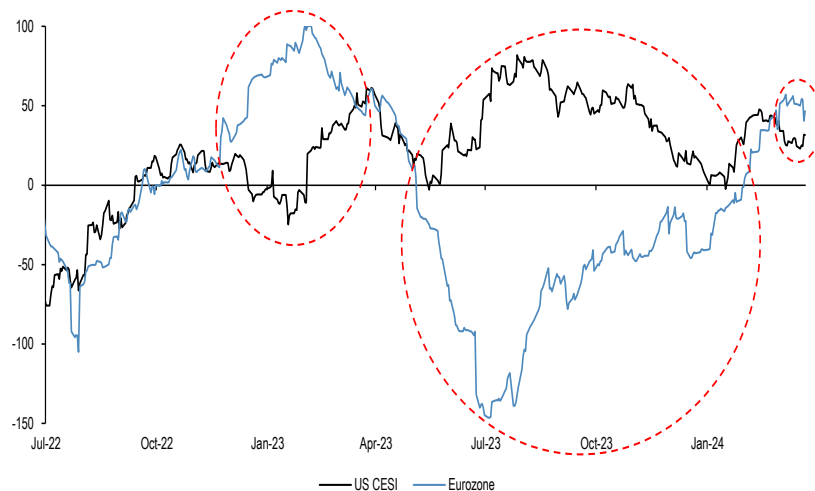
Source: Datastream

US and Europe buybacks yield



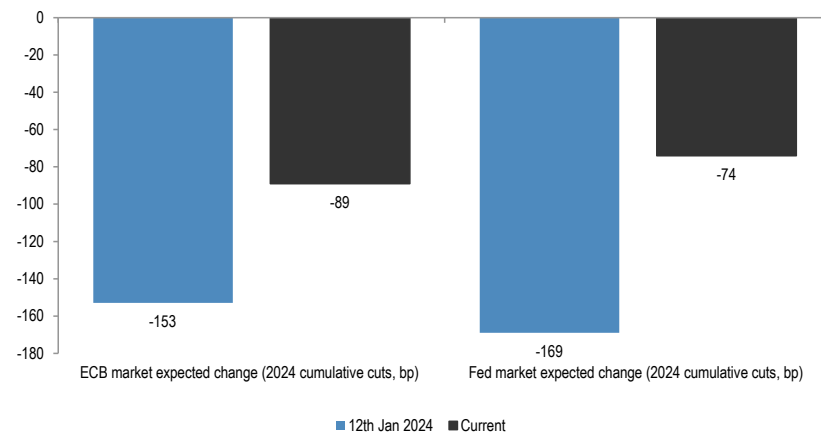
Source: Bloomberg Finance L.P.

US and Eurozone CESIs



Source: Bloomberg Finance L.P.

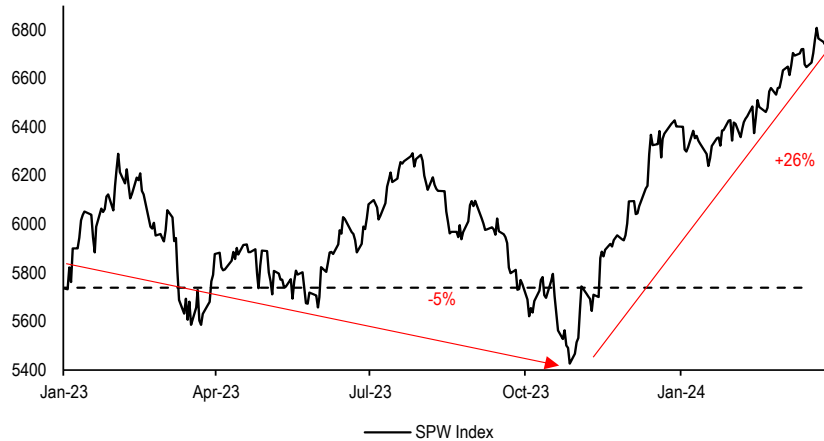
ECB & Fed market expected change: Jan'24 vs Current



Source: Bloomberg Finance L.P.

At the overall market level, the Q4 and ytd rally has left the positioning and sentiment indicators stretched; Credit spreads are the tightest since 2007

S&P500 equal-weighted index



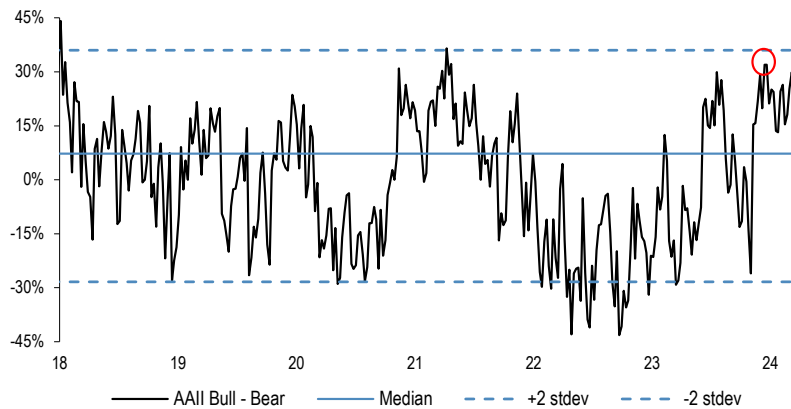
Source: Bloomberg Finance L.P.

Gap between spread on US bonds rated B and BBB



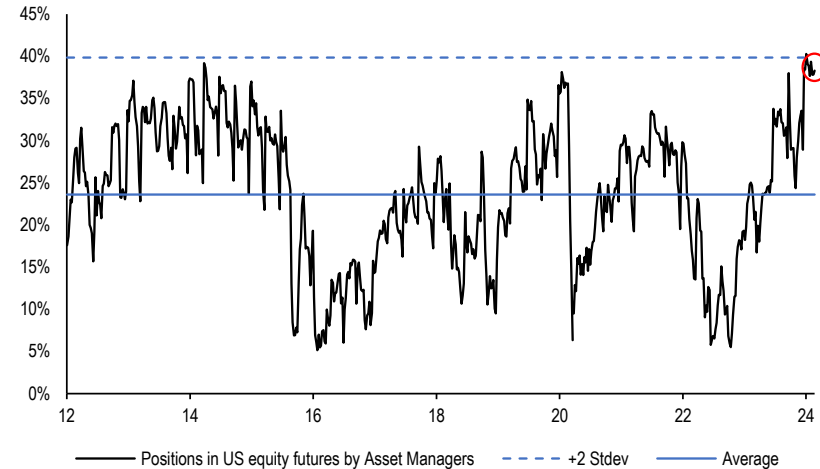
Source: Bloomberg Finance L.P.

AAll Bull-Bear



Source: Bloomberg Finance L.P.

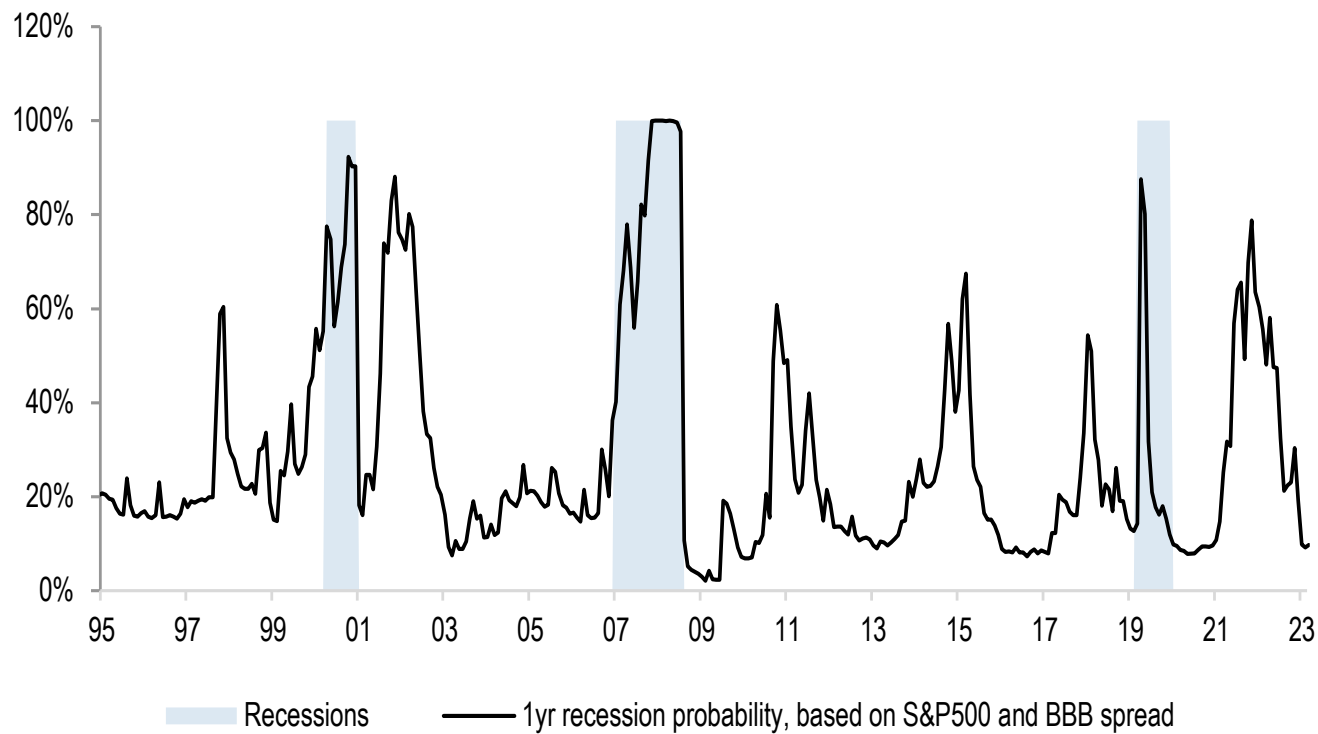
Positions in US Equity futures by Asset Managers and Leveraged Funds



Source: J.P. Morgan. Flows and Liquidity Team

Unlike a year ago, when most had high chance of recession as a base case, consensus views and market pricing are much more complacent these days

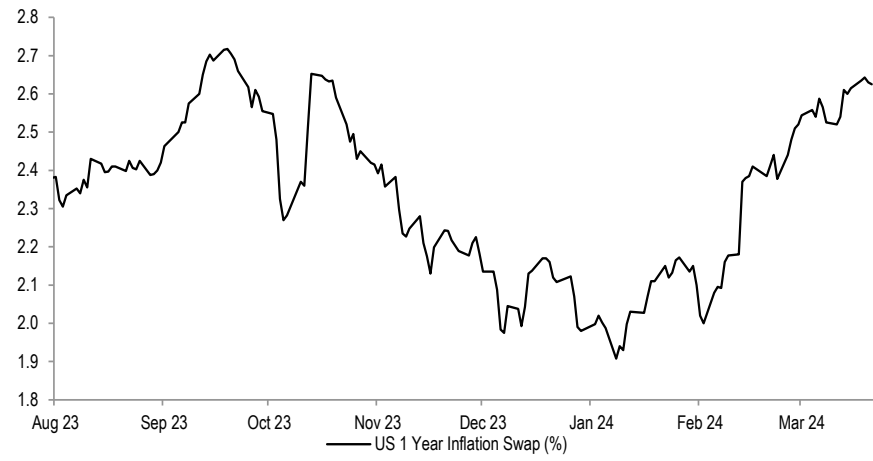
Recession probability indicator



Source: J.P. Morgan

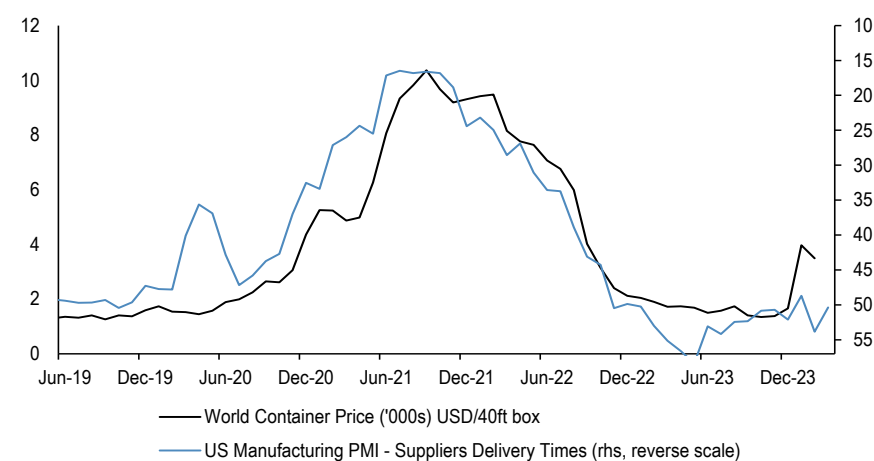
Goldilocks narrative might end up challenged, from both sides... too hot inflation could push out Fed cuts... term premia is negative again...

US 1 year inflation swap rate



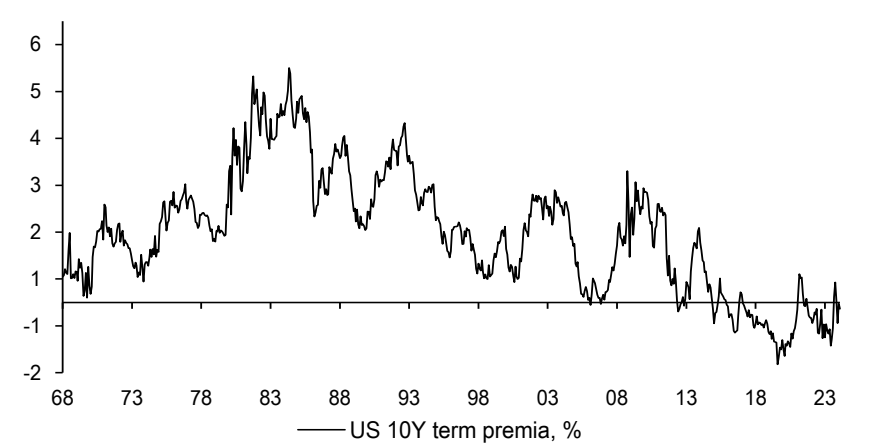
Source: Bloomberg Finance L.P.

World Container Price and US Manufacturing PMI - Supplier Delivery Times Index



Source: Bloomberg Finance L.P., J.P. Morgan

US term premia



Source: J.P. Morgan

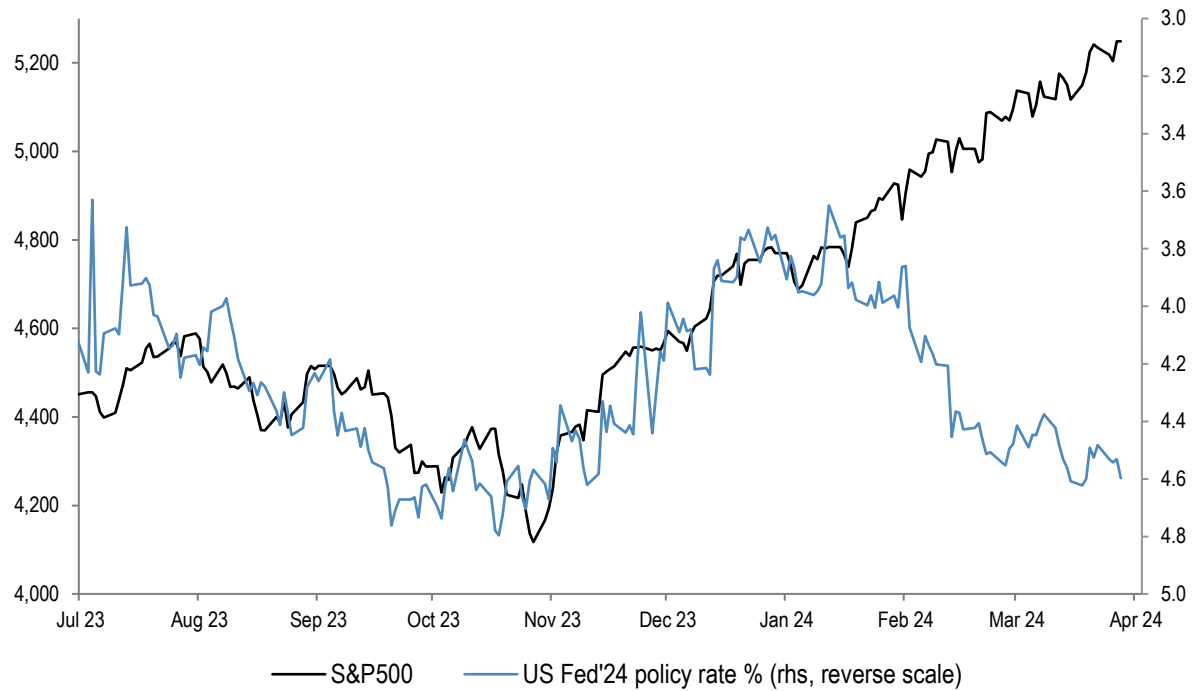
Fed funds rate projections - Market and JPM

Meeting	At S&P500 trough in Oct '23 (bp)	12th Jan '24	Market expected change (bp)	JPM
05/01/2024	-12	-30	-3	0
06/12/2024	-13	-32	-14	-25
07/31/2024	-14	-26	-9	0
09/18/2024	-14	-25	-18	-25
11/07/2024	-14	-18	-12	0
12/18/2024	-12	-17	-17	-25
2024 cumulative cuts	-79	-148	-74	-75

Source: Bloomberg Finance L.P., J.P. Morgan

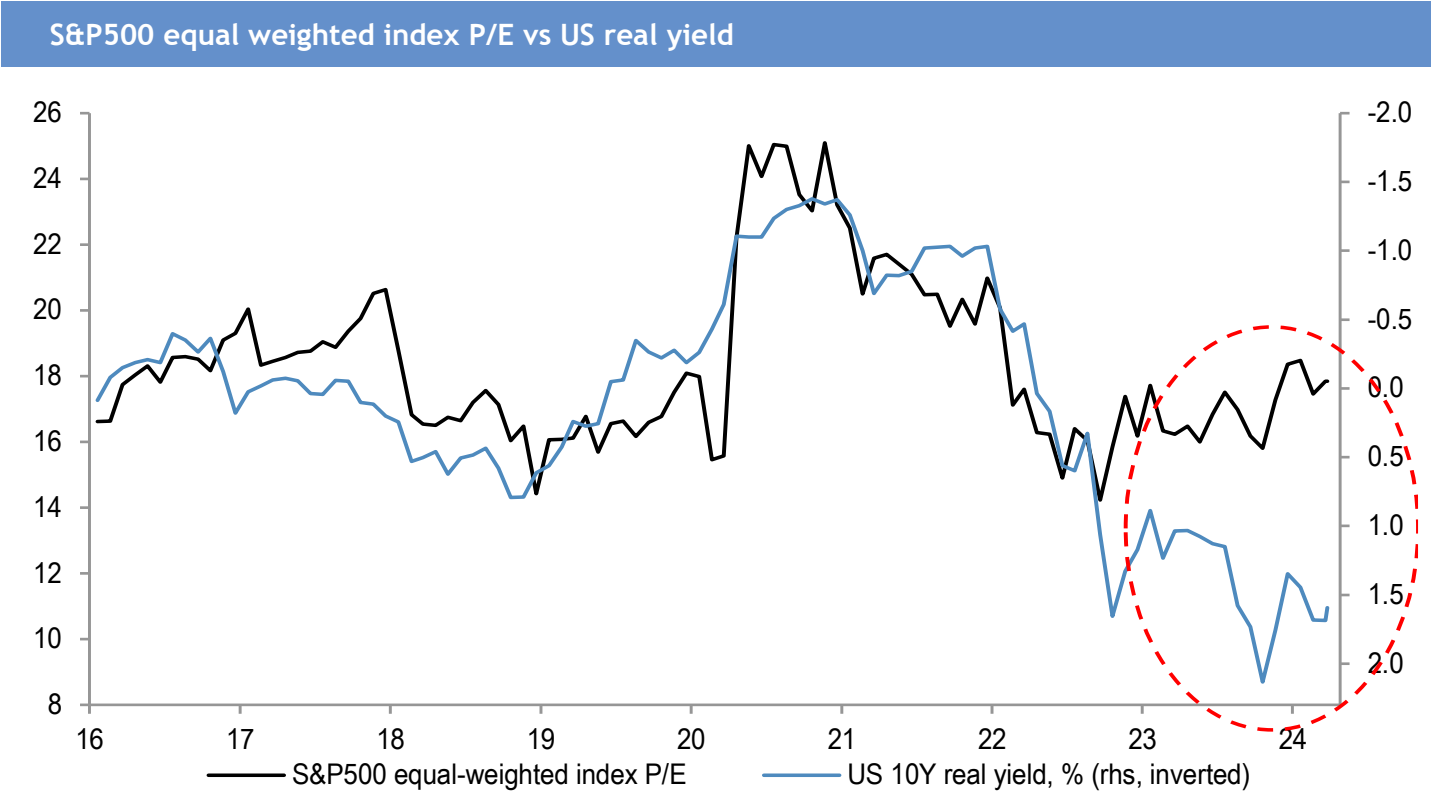
...S&P500 didn't react adversely to the recent backup in yields... this could change

Fed funds futures vs S&P500



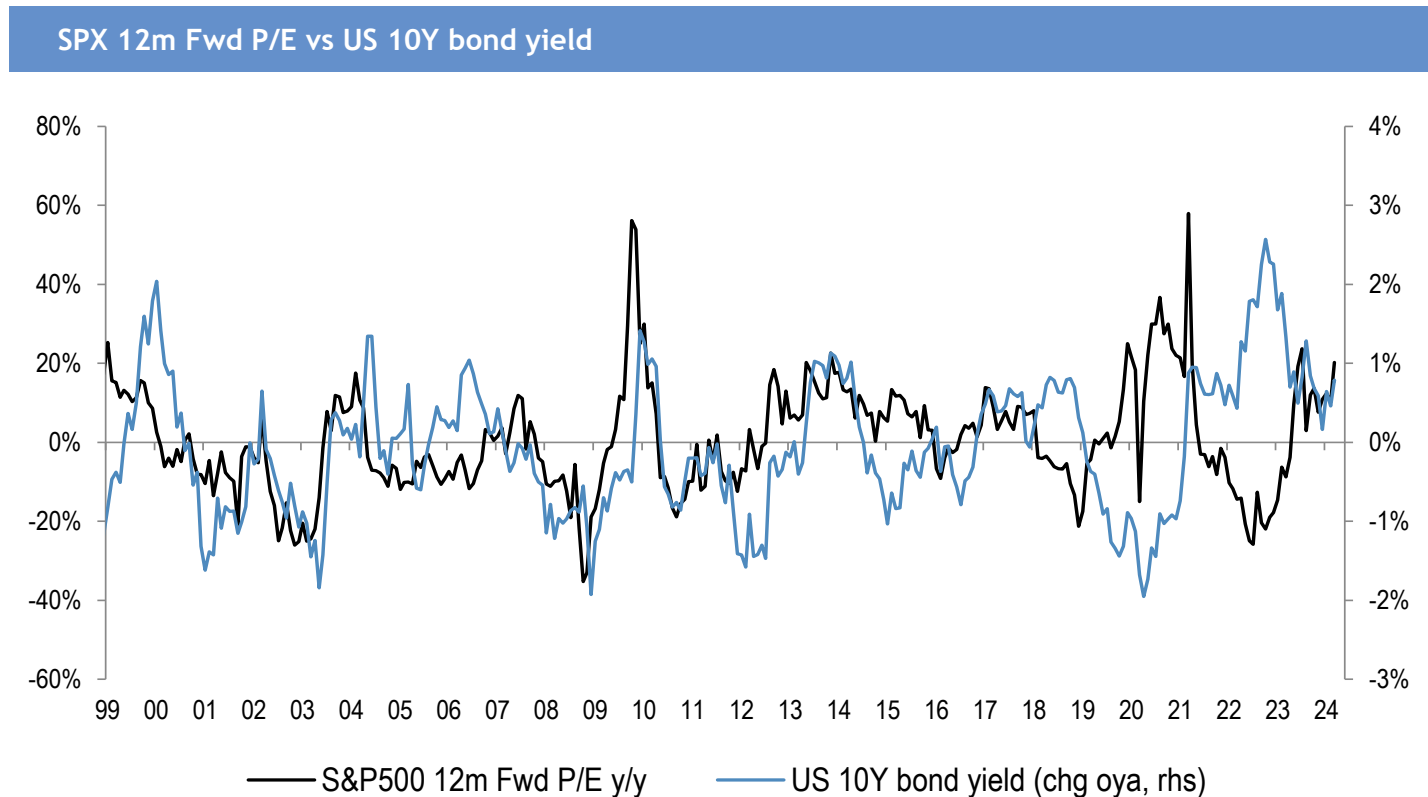
Source: Bloomberg Finance L.P.

Equity market valuations do not offer a cushion vs bond yields...



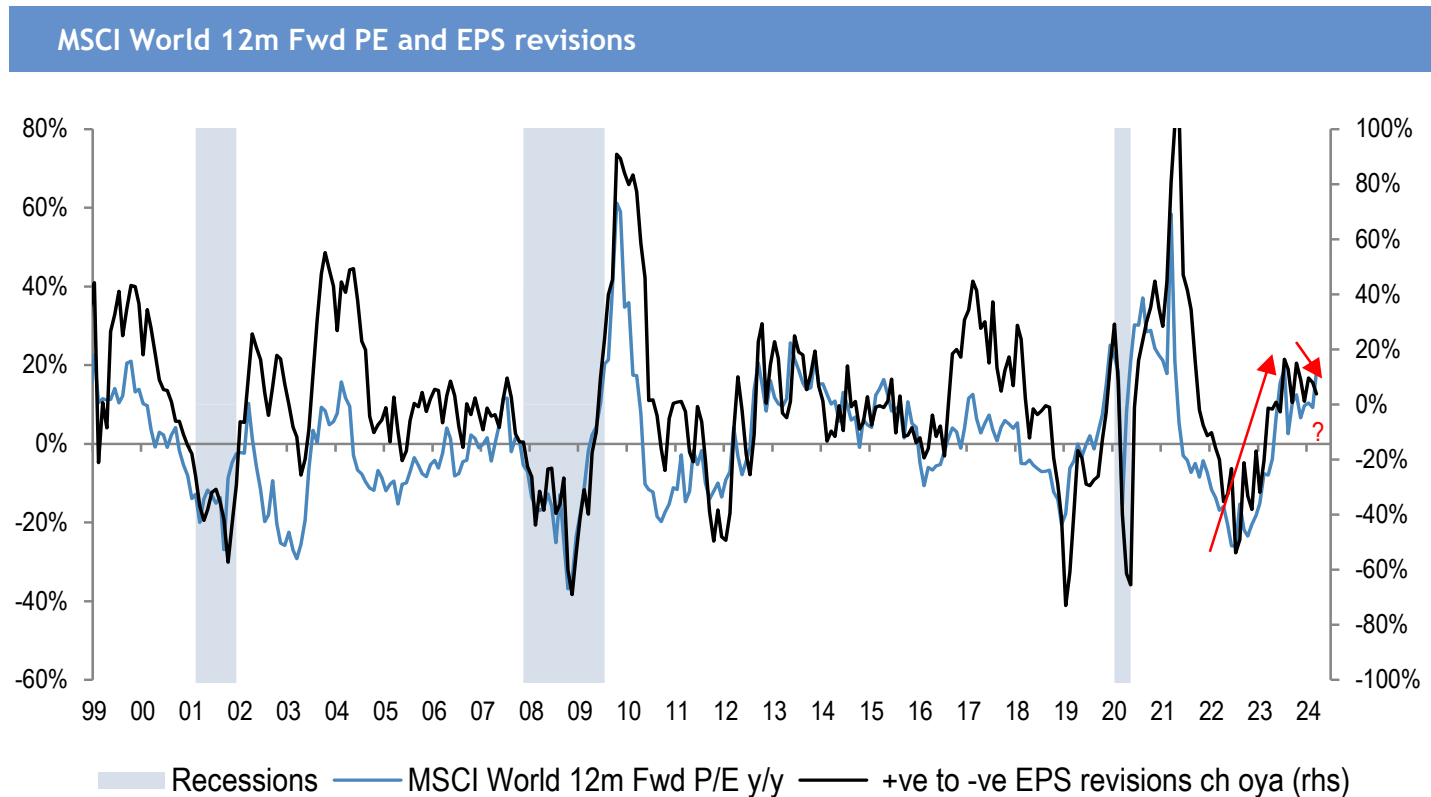
Source: IBES

...importantly, yields vs P/Es correlation was historically not stable... it was most often positive, i.e. falling yields would mean falling P/Es...



Source: Datastream, Bloomberg Finance L.P.

...the key is EPS momentum, earnings – P/Es correlation was always positive, and matters for P/E direction more than bond yields do



Source: IBES

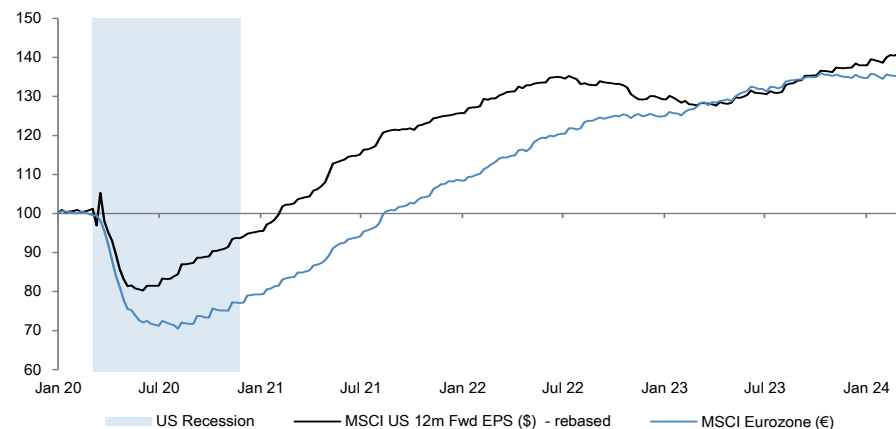
We were bullish on earnings for the past few years, believing them to be resilient. This could change, even without a recession...

Changes in US equities, earnings and PE during past recessions

Recession	Peak in MSCI US	Trough in MSCI US	MSCI US peak to trough move	12m Fwd P/E at MSCI US peak	12m Fwd P/E at MSCI US trough	Move in MSCI US 12m Fwd P/E from peak to trough	MSCI US Fwd EPS peak to trough move
1990	Jul-90	Oct-90	-20%	12.8	10.4	-19%	-14%
2001	Mar-00	Oct-02	-51%	25.7	13.8	-46%	-23%
2008	Oct-07	Mar-09	-56%	15.4	10.4	-32%	-40%
2020	Feb-20	Mar-20	-34%	19.6	13.2	-33%	-15%
Average			-40%	18.4	12.0	-33%	-23%

Source: IBES

MSCI US and Eurozone 12m Fwd. EPS



Source: IBES

Changes in Eurozone equities, earnings and GDP during past recessions

Recession	MSCI Eurozone peak to trough move	12m Fwd P/E at MSCI Eurozone trough	12m Fwd P/E at trough - Eurozone vs US	MSCI Eurozone Fwd. EPS peak to trough move	Euro Area real GDP peak to trough move
1990	-29%	9.7	0.87	-27%	-1.8%
2001	-64%	11.1	0.76	-21%	-0.3%
2008	-62%	7.5	0.72	-42%	-5.7%
2012	-32%	7.4	0.72	-20%	-1.8%
2020	-38%	9.0	0.69	-30%	-14.7%
Average	-45%	9.0	0.75	-28%	-4.9%

Source: IBES

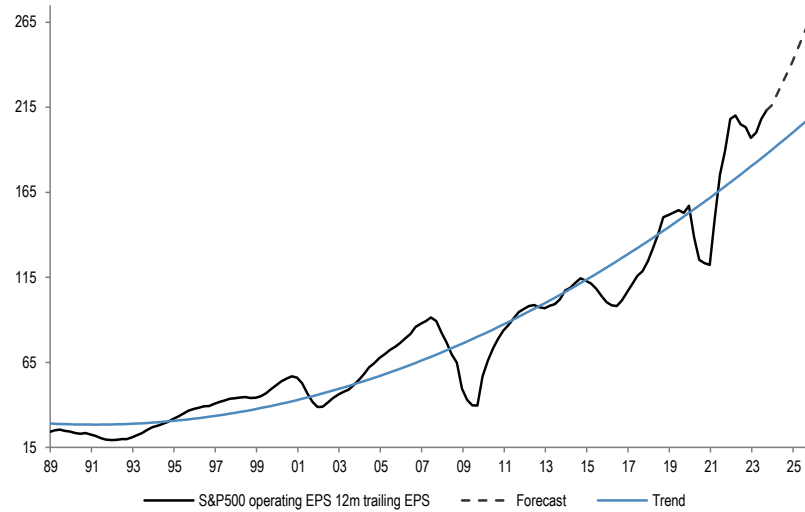
Changes in UK equities, earnings and PE during past recessions

Recession	Peak in MSCI UK	Trough in MSCI UK	12m Fwd P/E at MSCI UK peak	12m Fwd P/E at MSCI UK trough	Move in MSCI UK 12m Fwd P/E from peak to trough	MSCI UK Fwd EPS peak to trough move
1990	Jul-90	Sep-90	9.9	9.1	-9%	-20%
2001	Sep-00	Mar-03	20.8	15.1	-28%	-40%
2008	Jun-07	Mar-09	13.1	7.8	-40%	-11%
2020	Jan-20	Mar-20	13.3	9.2	-31%	-30%
Average			14.3	10.3	-27%	-15%

Source: IBES

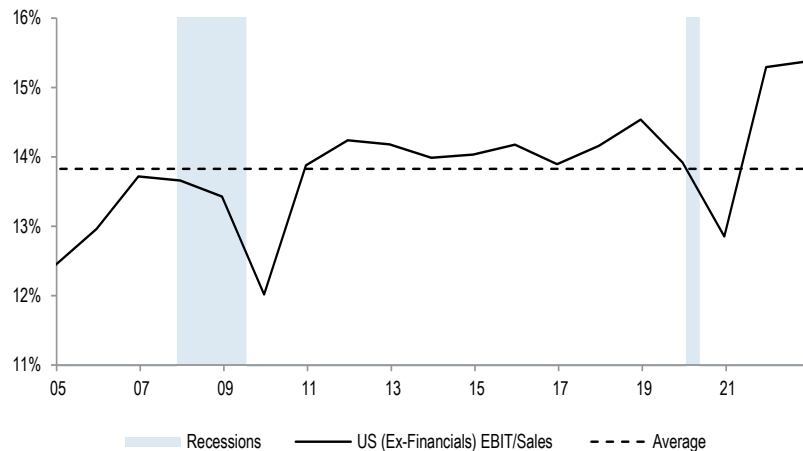
...the starting point is elevated... post COVID profit margins reached record highs, and are now showing signs of peaking...

S&P500 EPS vs trend



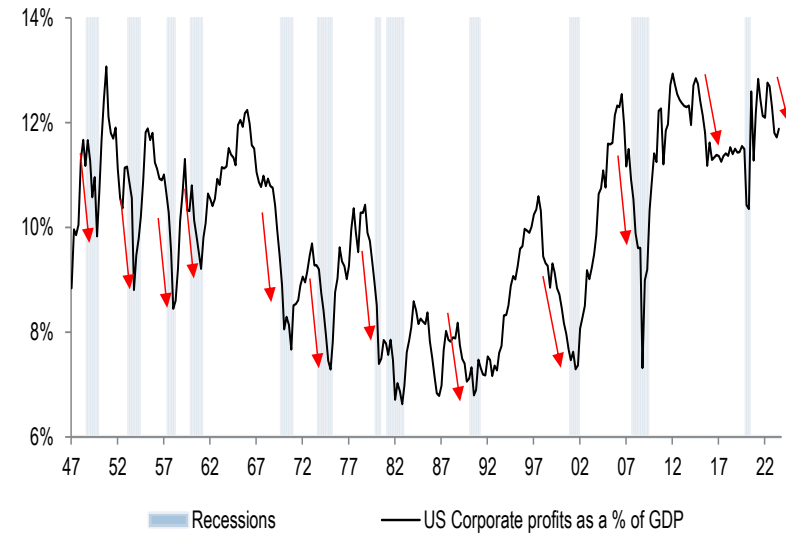
Source: Datastream

US EBIT margin - ex Financials



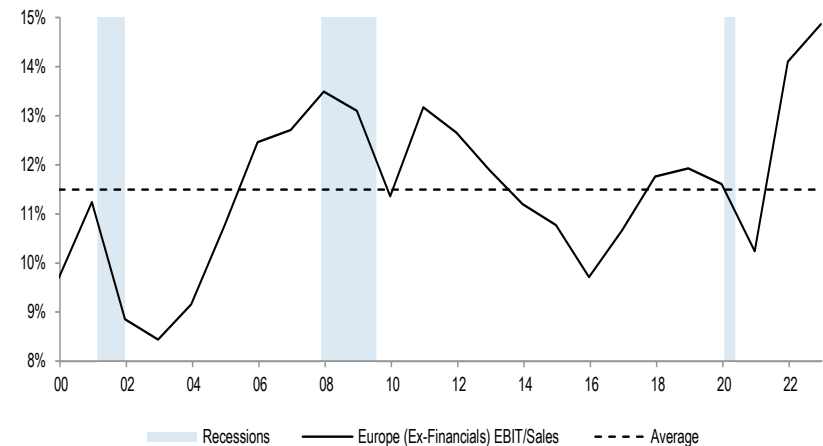
Source: Datastream

US Corporate profits as a % of GDP



Source: FRED

European EBIT margin - ex Financials



Source: Datastream

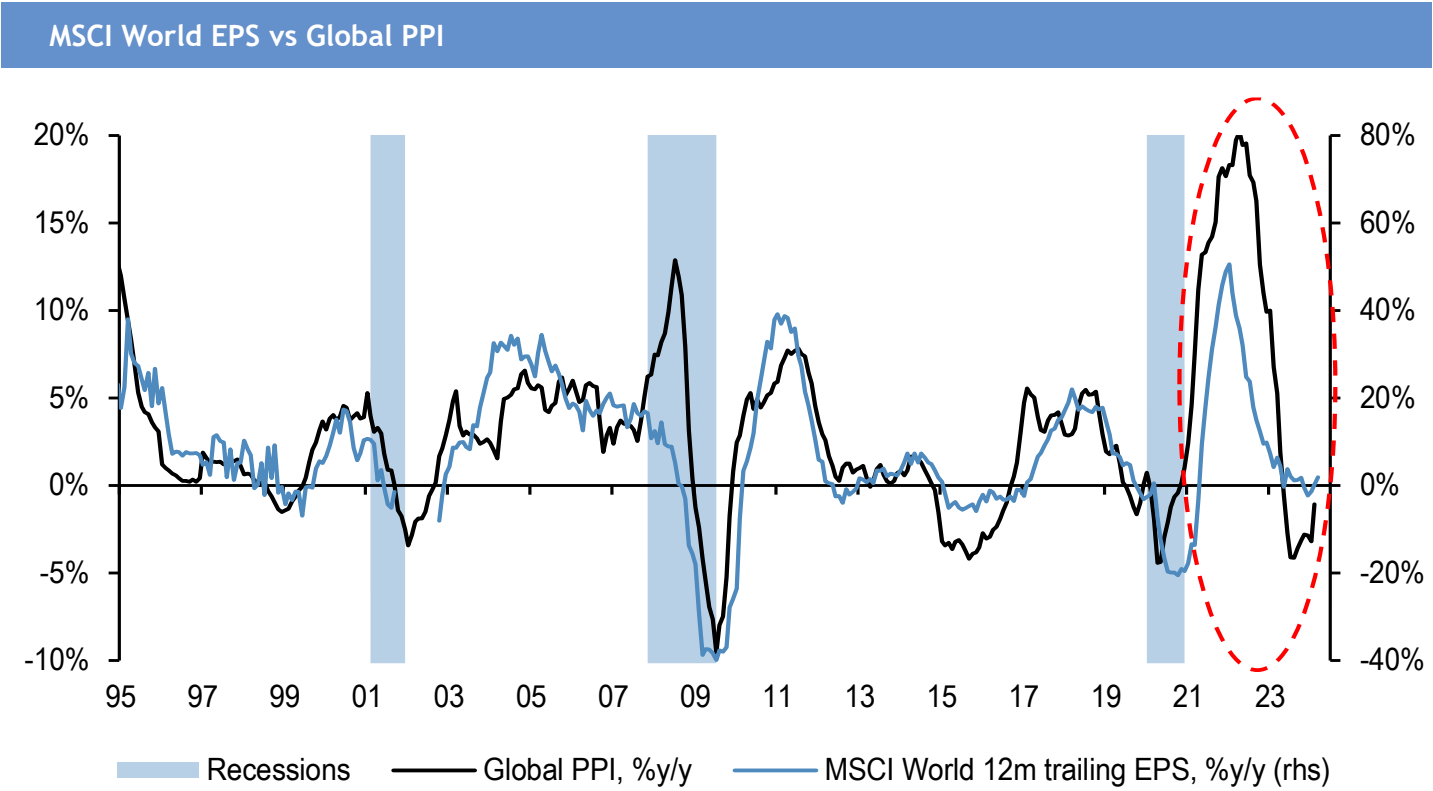
...consensus is looking for EPS growth re-acceleration this and next year...

MSCI World consensus EPS growth projections

	MSCI World			
	2023	2024e	2025e	2026e
Market	1.1%	7.7%	12.3%	10.7%
Energy	-25.5%	-8.5%	9.3%	5.9%
Materials	-31.4%	3.3%	10.7%	7.2%
Industrials	6.7%	8.0%	12.2%	10.9%
Discretionary	34.1%	9.0%	13.1%	13.2%
Staples	2.2%	4.3%	8.8%	8.0%
Healthcare	-13.6%	12.1%	13.4%	11.3%
Financials	12.8%	6.1%	9.8%	10.9%
IT	4.9%	15.1%	19.0%	14.0%
Com Services	22.2%	18.0%	13.8%	11.0%
Utilities	10.9%	5.4%	4.9%	4.7%
Real Estate	-5.8%	-0.5%	8.5%	8.1%

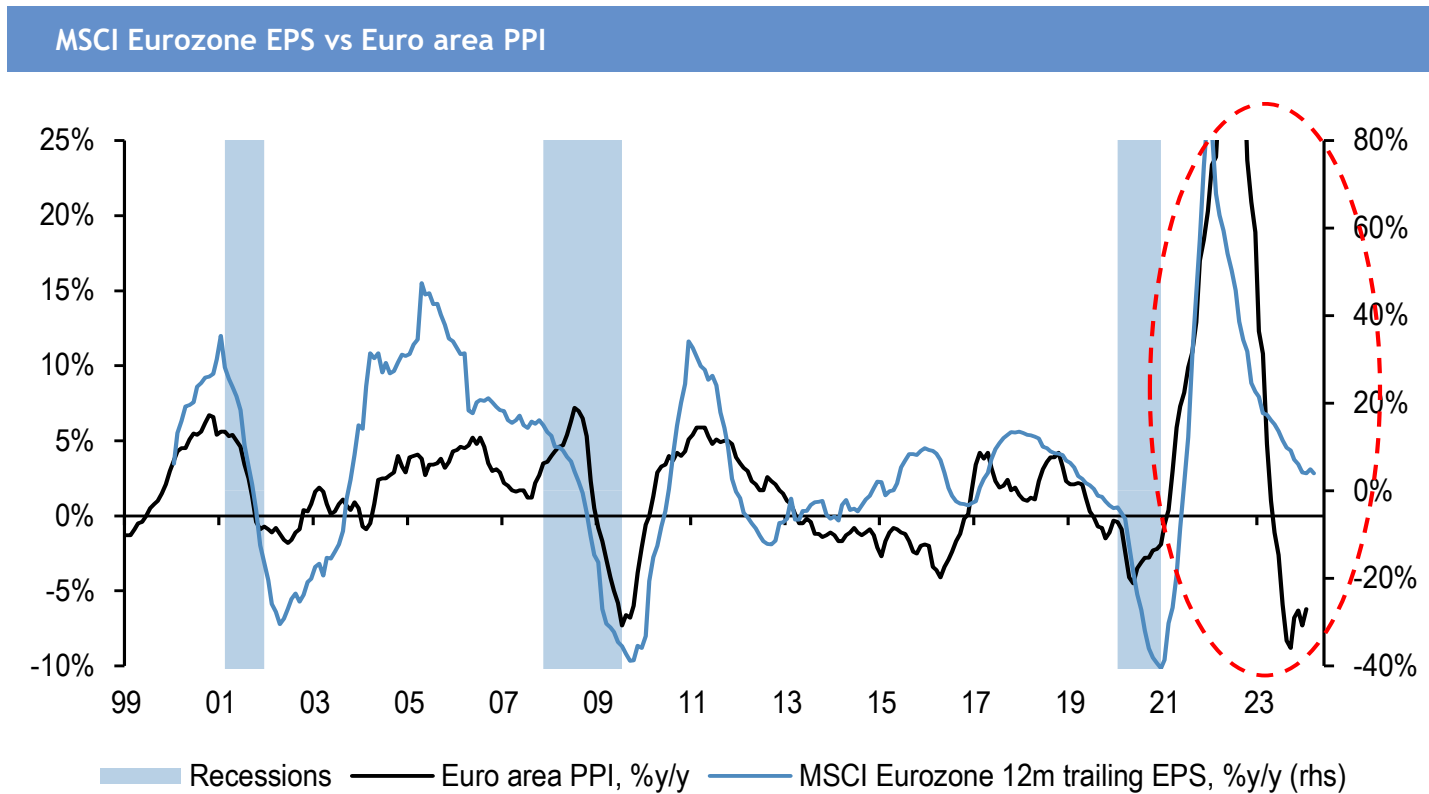
Source: IBES

...but, weakening pricing is set to be a constraint for earnings growth, in the US...



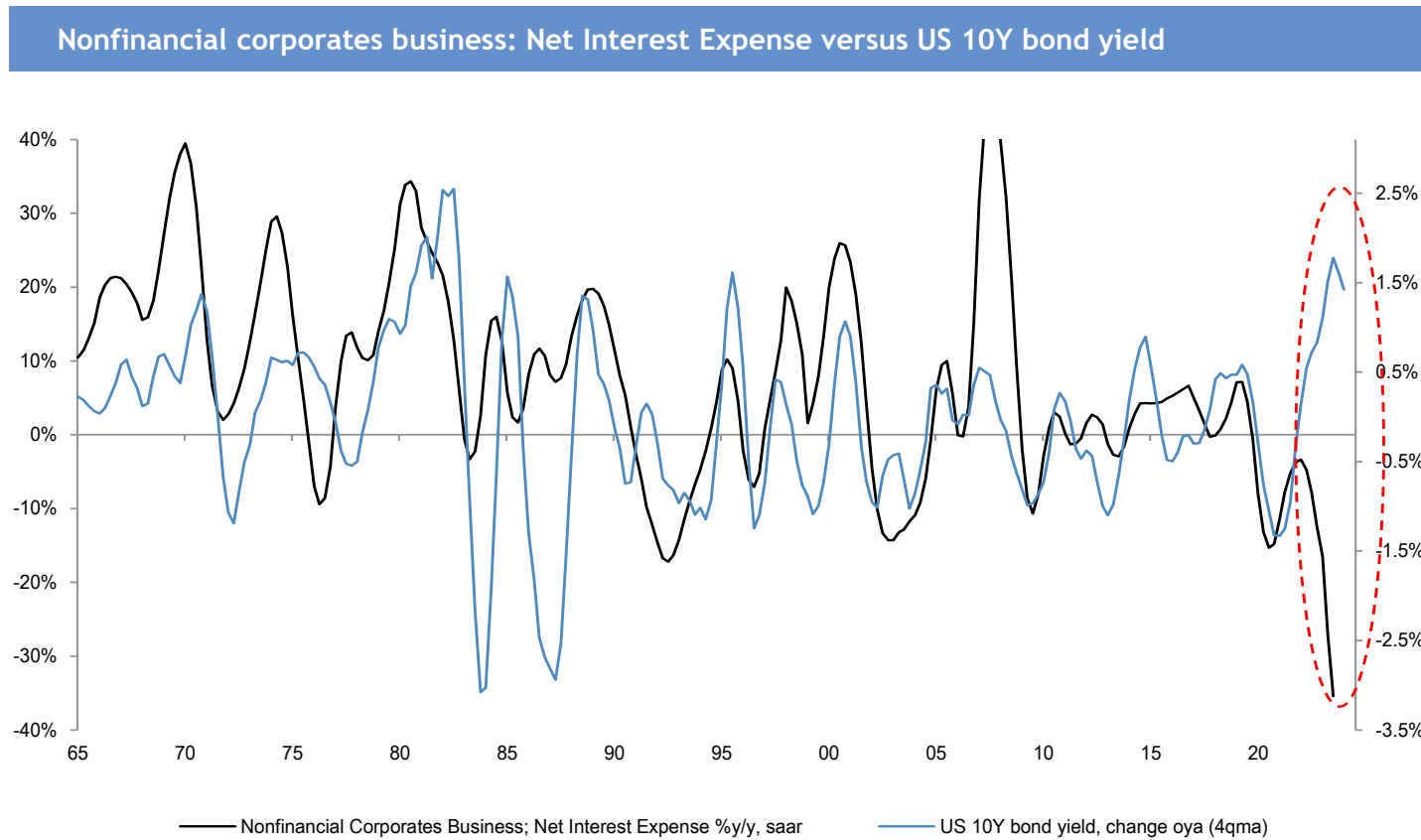
Source: IBES

...and in Europe...



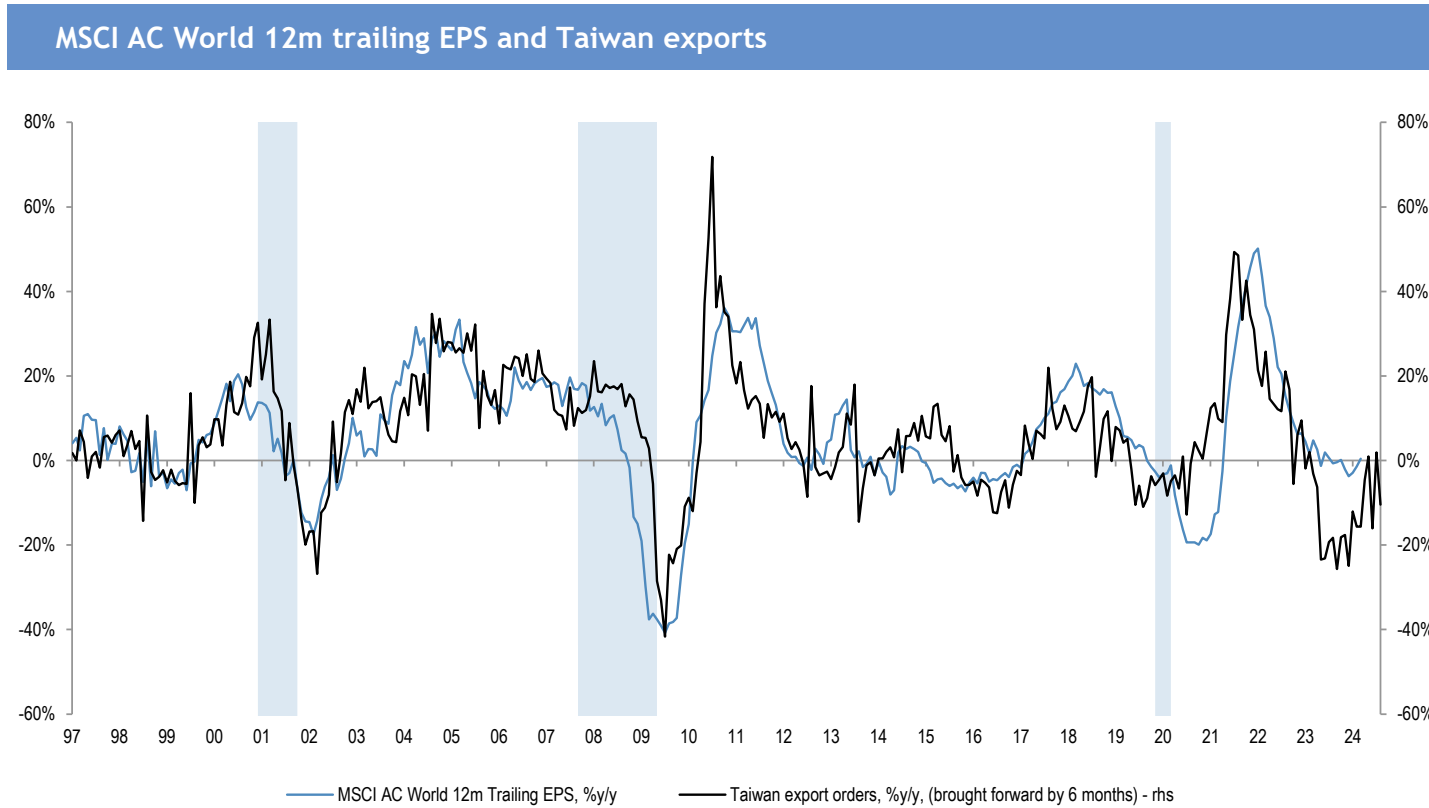
Source: IBES

...a unique feature of this cycle, fall in net interest expense even as interest rates rose 300bp+, is set to unwind...



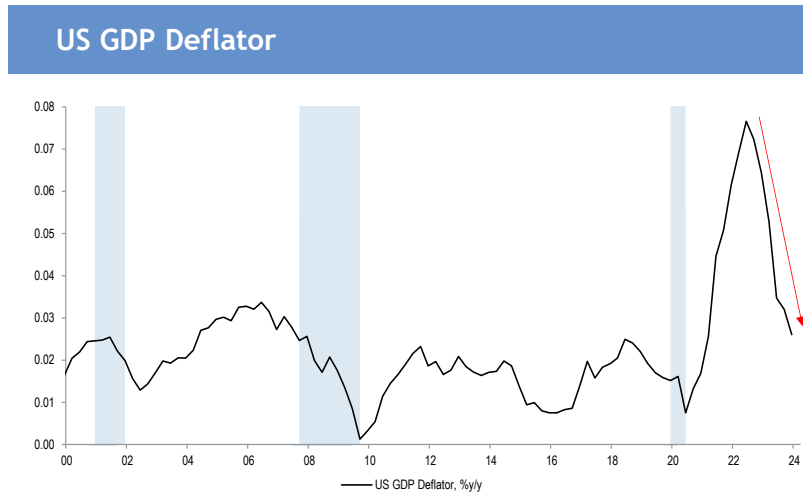
Source: Bloomberg Finance L.P., FRED

...volume growth could stay subdued...

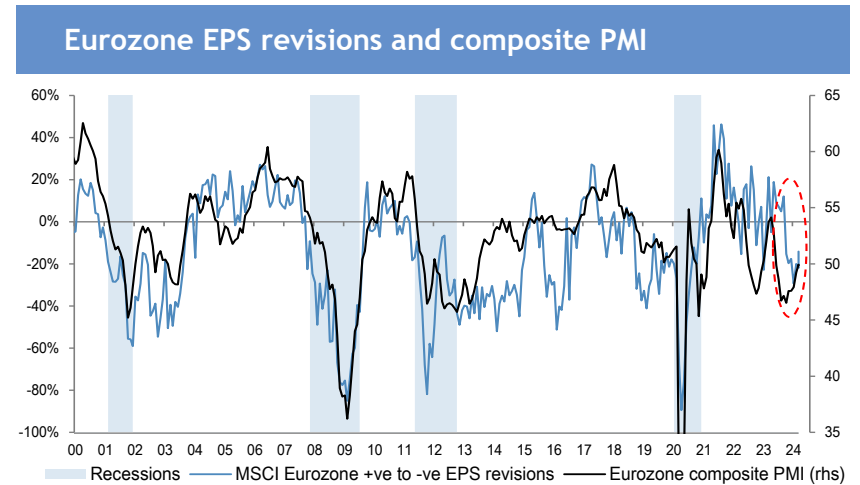


Source: IBES, S&P Global

...EPS revisions are still negative and GDP deflators are normalizing



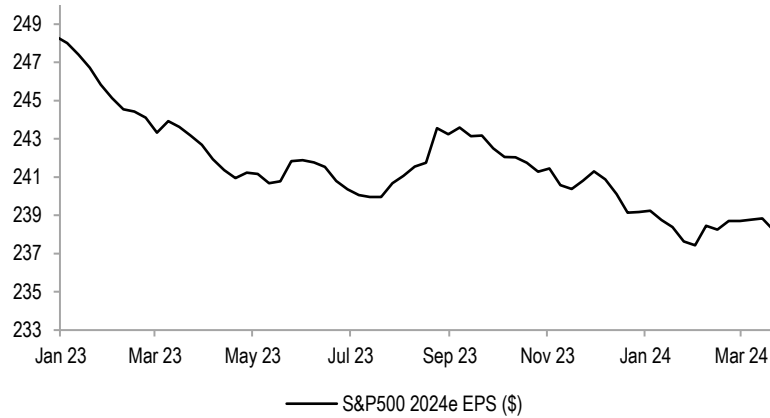
Source: J.P. Morgan



Source: IBES

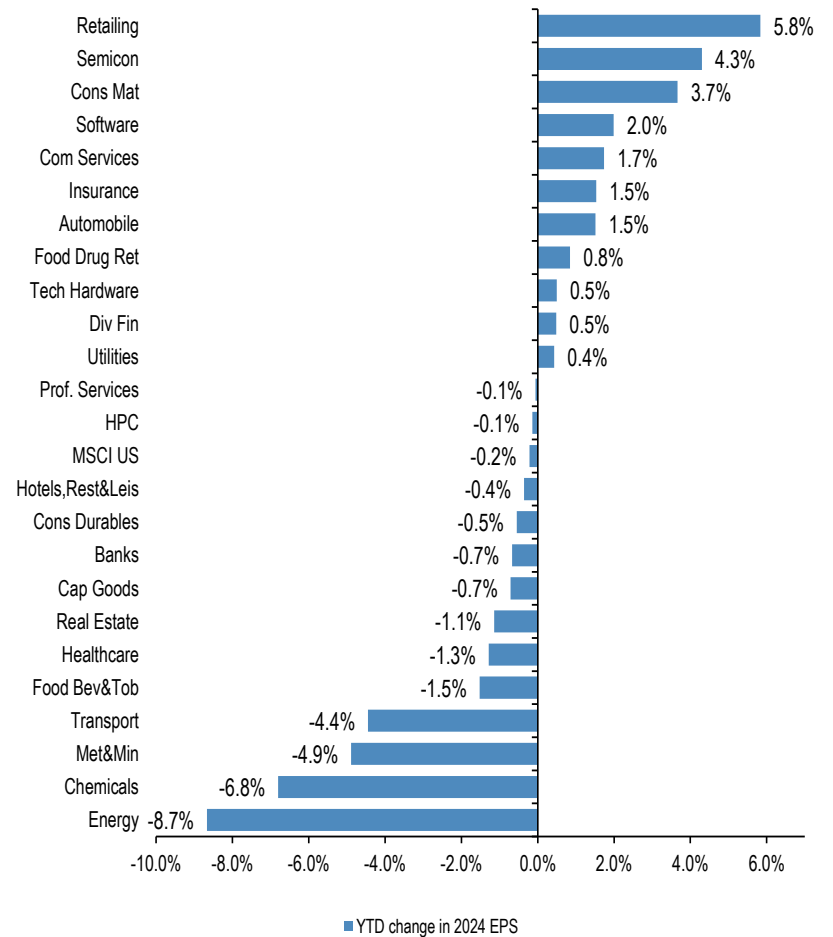
Notably, 2024 EPS projections remain weak, at lows in the US...

S&P500 2024e EPS



Source: IBES

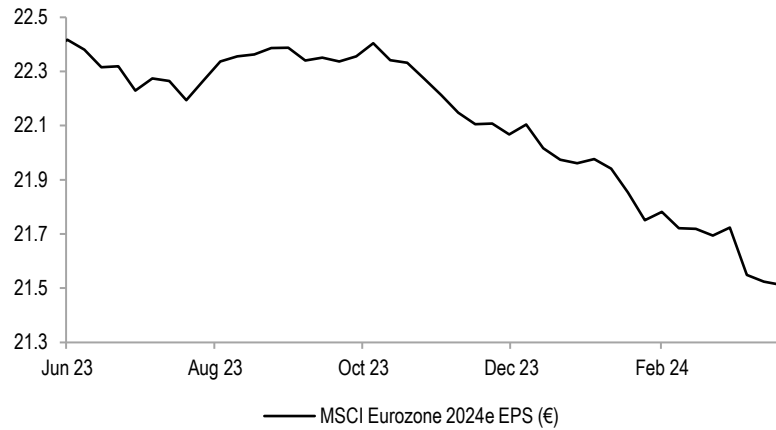
MSCI US sectors 2024e EPS ytd change



Source: IBES

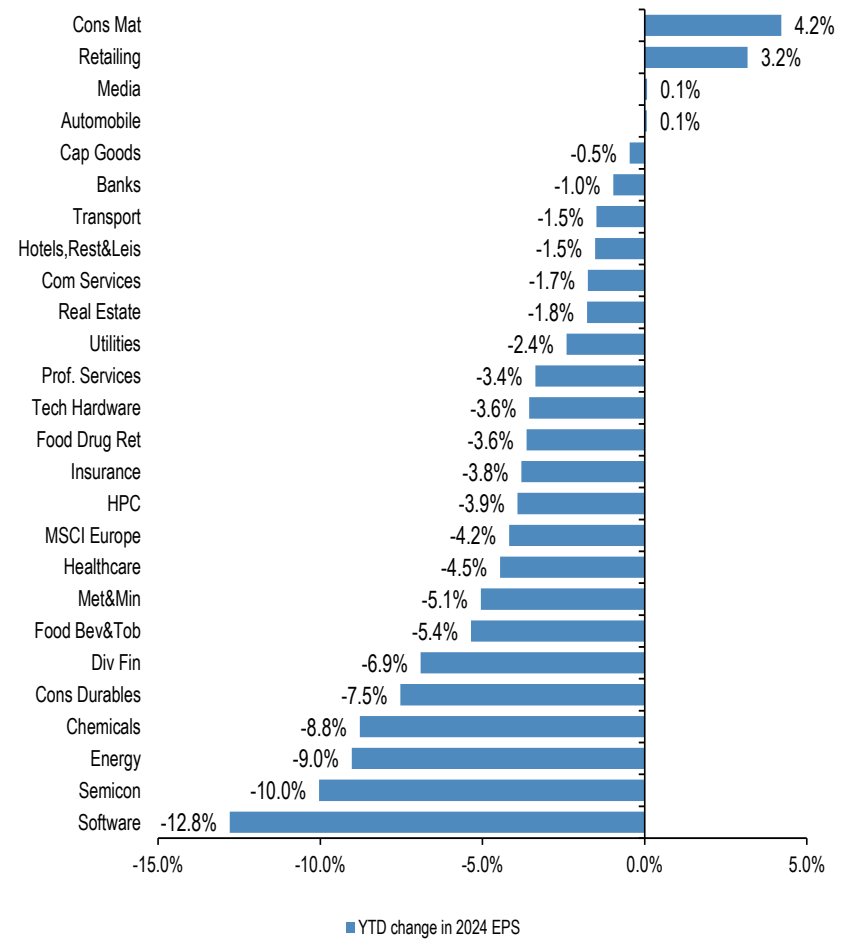
... most European sectors have seen downgrades this year, as well...

MSCI Eurozone 2024e EPS



Source: IBES

MSCI Europe sectors 2024e EPS ytd change



Source: IBES

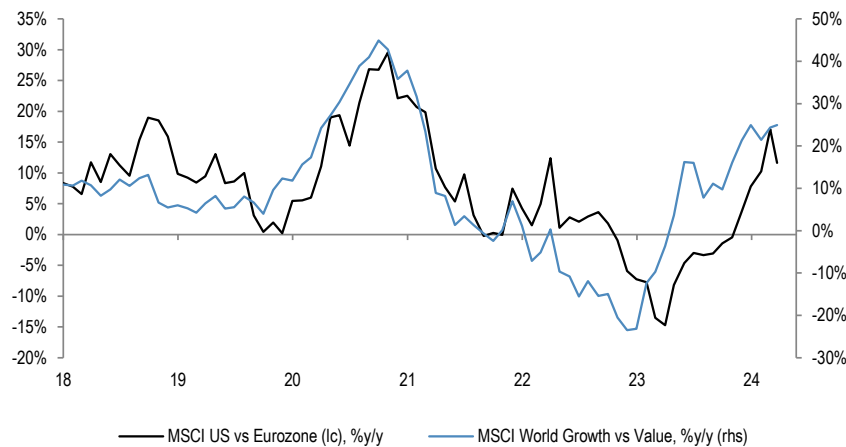
...earnings delivery is narrow, ex Mag-7 it is negative; earnings of Growth style are still advancing vs Value

Magnificent 7, SPX and SPX ex Mag 7 2023 earnings growth

	2023 Net Income growth
AAPL UW Equity	-3%
AMZN UW Equity	307%
MSFT UW Equity	13%
NVDA UW Equity	335%
GOOGL UW Equity	22%
TSLA UW Equity	-29%
META UW Equity	66%
Magnificent 7	27%
SPX	1%
SPX ex Magnificent 7	-4%

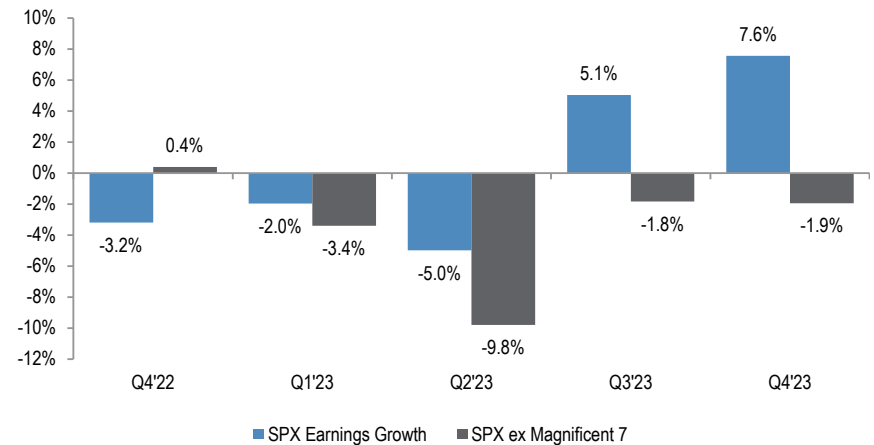
Source: Datastream

MSCI US vs Eurozone and World Growth vs Value



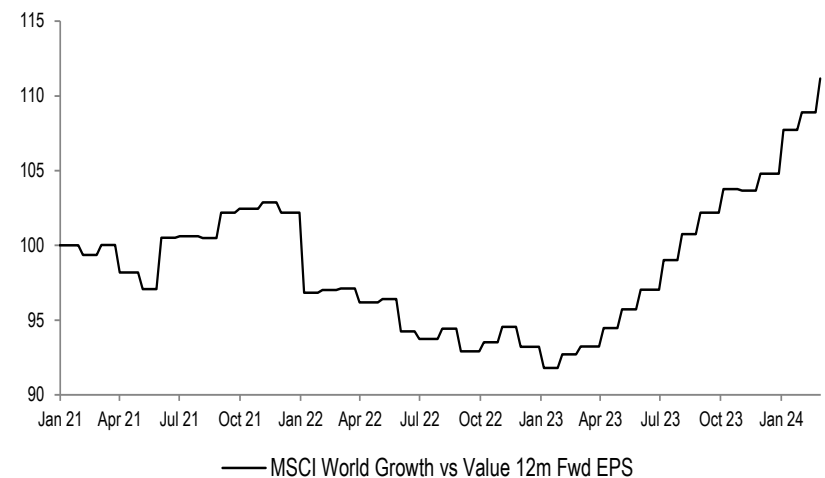
Source: Datastream

SPX and SPX ex Magnificent 7 quarterly earnings growth



Source: Bloomberg Finance L.P.

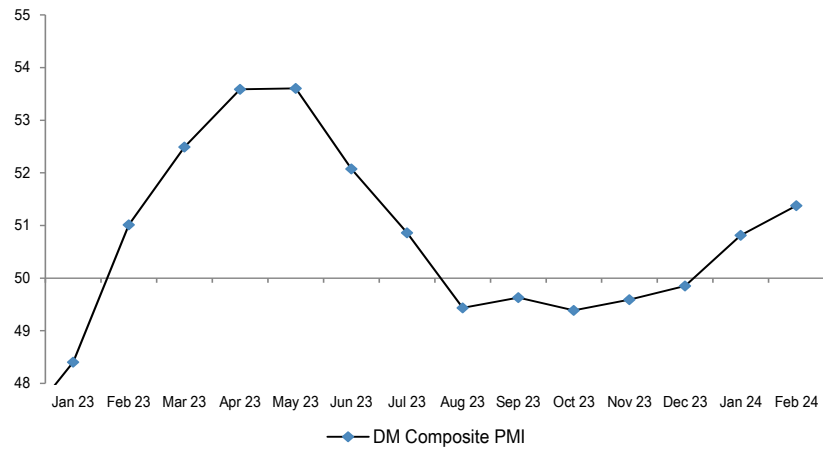
MSCI World Growth vs Value 12m Fwd. EPS



Source: IBES

Global activity momentum has stabilized, but will this last?...

DM composite PMI since Jan '23



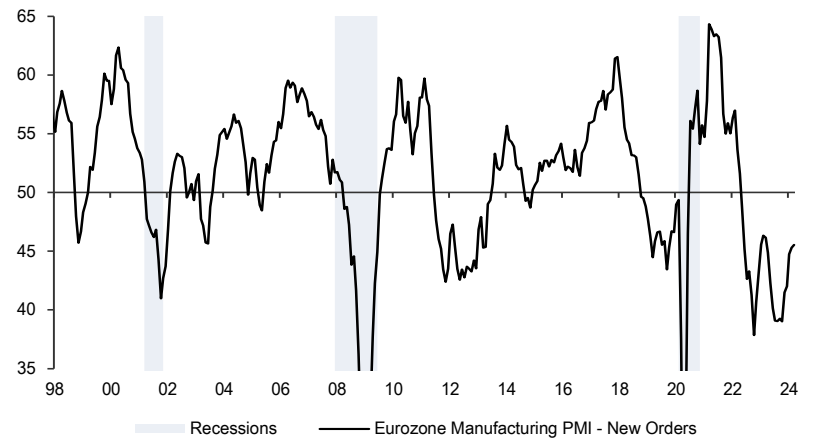
Source: J.P. Morgan

PMIs for key regions

	Jan'23	Feb'23	Mar'23	Apr'23	May'23	Jun'23	Jul'23	Aug'23	Sep'23	Oct'23	Nov'23	Dec'23	Jan-24	Feb-24	Mar-24
Global															
Composite	49.7	52.1	53.3	54.1	54.3	52.6	51.6	50.6	50.5	50.0	50.4	51.0	51.8	52.1	
Manufacturing	49.1	49.9	49.6	49.6	49.5	48.7	48.6	49.0	49.2	48.8	49.3	49.0	50.0	50.3	
Services	50.0	52.5	54.3	55.3	55.3	53.8	52.6	51.0	50.7	50.4	50.6	51.6	52.3	52.4	
US															
Composite	46.8	50.1	52.3	53.4	54.3	53.2	52.0	50.2	50.2	50.7	50.7	50.9	52.0	52.5	52.2
Manufacturing	46.9	47.3	49.2	50.2	48.4	46.3	49.0	47.9	49.8	50.0	49.4	47.9	50.7	52.2	52.5
Services	46.8	50.6	52.6	53.6	54.9	54.4	52.3	50.5	50.1	50.6	50.8	51.4	52.5	52.3	51.7
Eurozone															
Composite	50.3	52.0	53.7	54.1	52.8	49.9	48.6	46.7	47.2	46.5	47.6	47.6	47.9	49.2	49.9
Manufacturing	48.8	48.5	47.3	46.8	44.8	43.4	42.7	43.5	43.4	43.1	44.2	44.4	46.6	46.5	45.7
Services	50.8	52.7	55.0	56.2	55.1	52.0	50.9	47.9	48.7	47.8	48.7	48.8	48.4	50.2	51.1
China															
Composite	52.9	56.4	57.0	54.4	52.9	52.3	51.1	51.3	52.0	50.7	50.4	50.3	50.9	50.9	
Manufacturing	50.1	52.6	51.9	49.2	48.8	49.0	49.3	49.7	50.2	49.5	49.4	49.0	49.2	49.1	
Services	54.0	55.6	58.9	55.1	53.8	52.8	51.5	50.5	50.9	50.1	49.3	49.3	50.1	51.0	
UK															
Composite	48.5	53.1	52.2	54.9	54.0	52.8	50.8	48.6	48.5	48.7	50.7	52.1	52.9	53.0	52.9
Manufacturing	47.0	49.3	47.9	47.8	47.1	46.2	45.3	43.0	44.3	44.8	47.2	46.2	47.0	47.5	49.9
Services	48.7	53.5	52.9	55.9	55.2	53.7	51.5	49.5	49.3	49.5	50.9	53.4	54.3	53.8	53.4

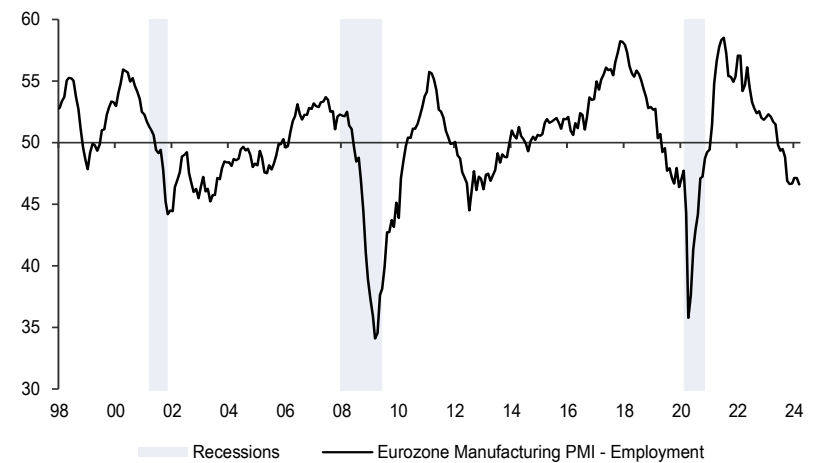
Source: Bloomberg Finance L.P.

Eurozone manufacturing PMI - new orders



Source: J.P. Morgan

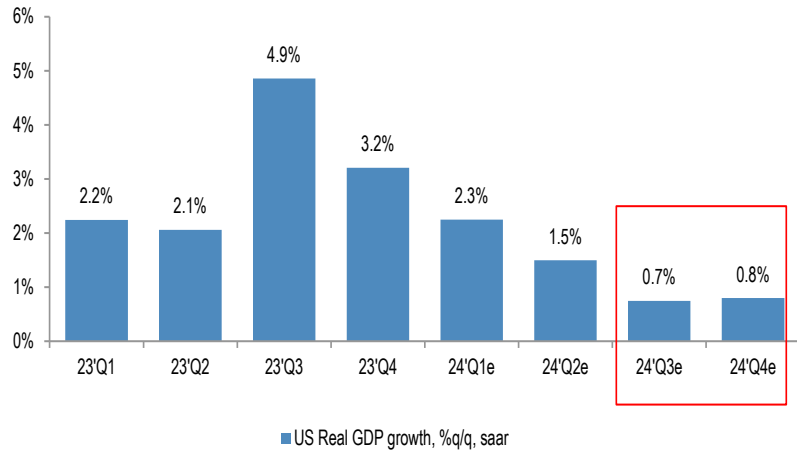
Eurozone Manufacturing PMI - Employment



Source: J.P. Morgan

...real GDP growth could be at stall speed in 2H of 2024...

US Real GDP forecasts



Source: J.P. Morgan

Profit margins and Earnings in different GDP regimes

US Real GDP, %y/y	Profit Margins, yoy, bps	NIPA Profits, %yoy	S&P 500 EPS, %y/y
<-3%	-51	-8%	-79%
-3% to -2%	-96	-9%	-26%
-2% to -1%	-83	-8%	-6%
-1% to 0%	11	4%	-3%
0% to 1%	-29	1%	-13%
1% to 2%	-40	1%	0%
2% to 3%	19	7%	10%
3% to 4%	45	11%	15%
4% to 5%	24	9%	16%
>5%	93	23%	25%

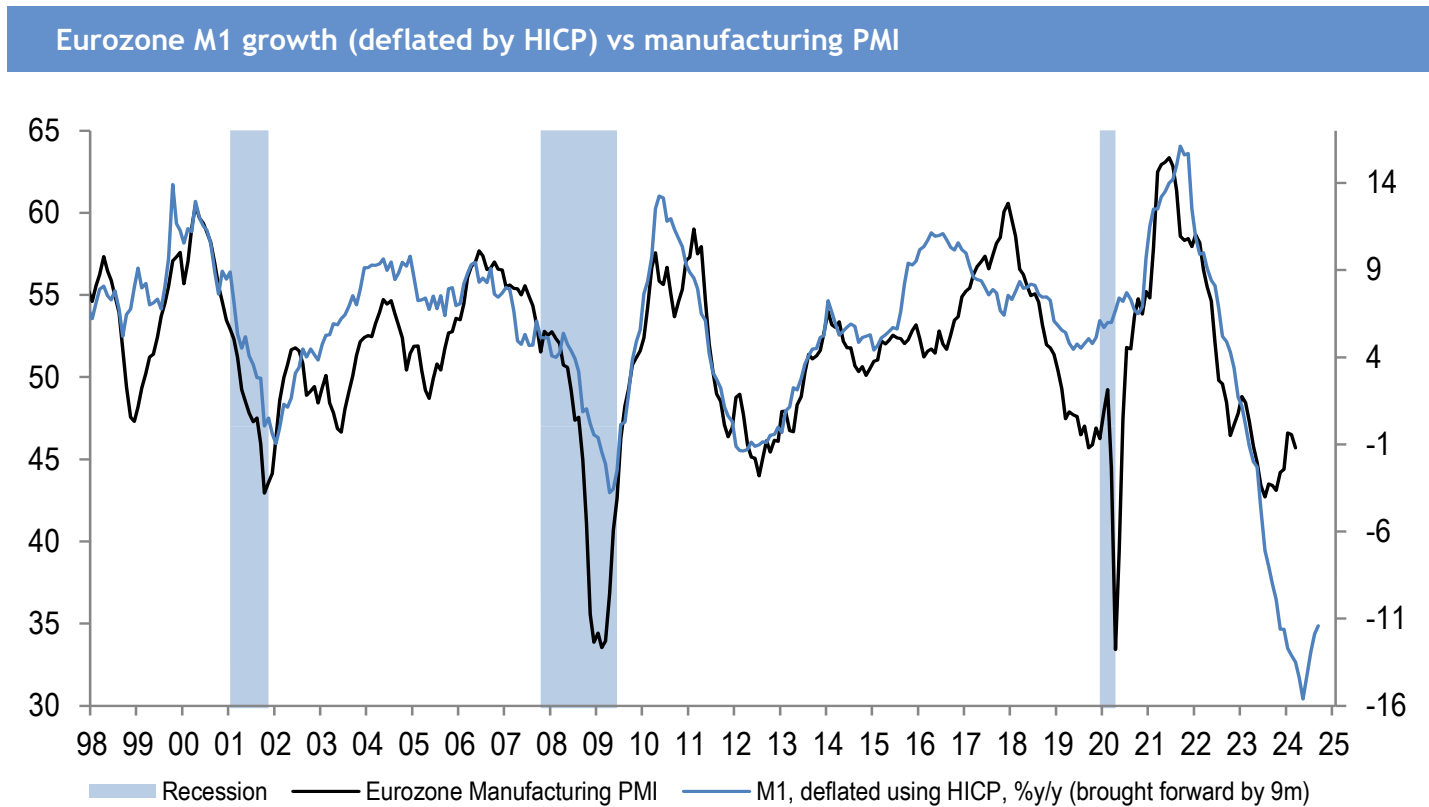
Source: J.P. Morgan, IBES

Key Regions - JPM Real GDP growth projections

	Real GDP, %y/y		
	2023E	2024E	2025E
United States	2.5%	2.3%	1.6%
Eurozone	0.5%	0.4%	1.0%
United Kingdom	0.1%	0.0%	0.1%
China	5.2%	5.2%	4.0%
Global	2.7%	2.5%	2.3%

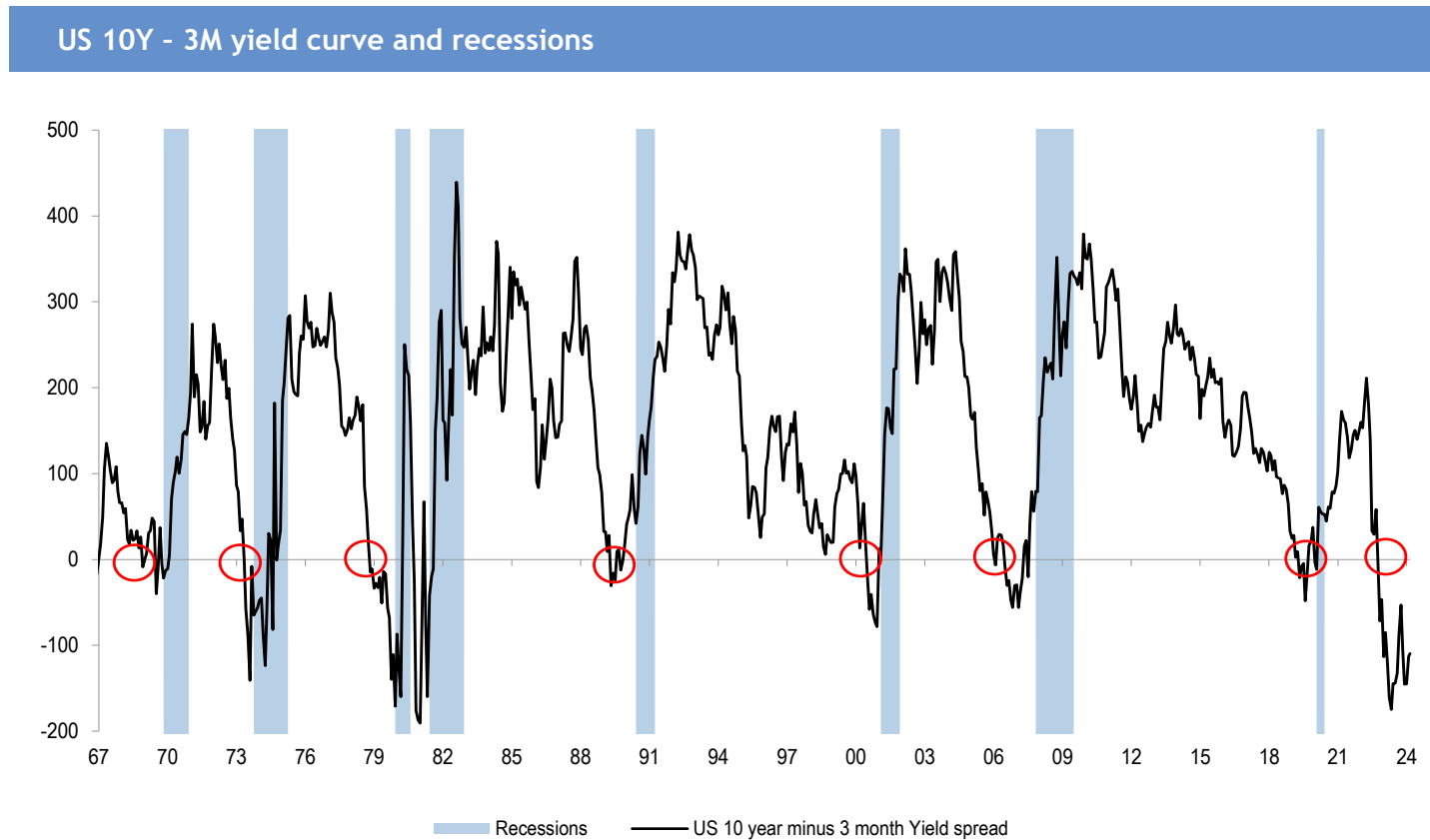
Source: J.P. Morgan

...lead indicators are bottoming, but they do not show upside for PMIs



Source: Bloomberg Finance L.P., S&P Global

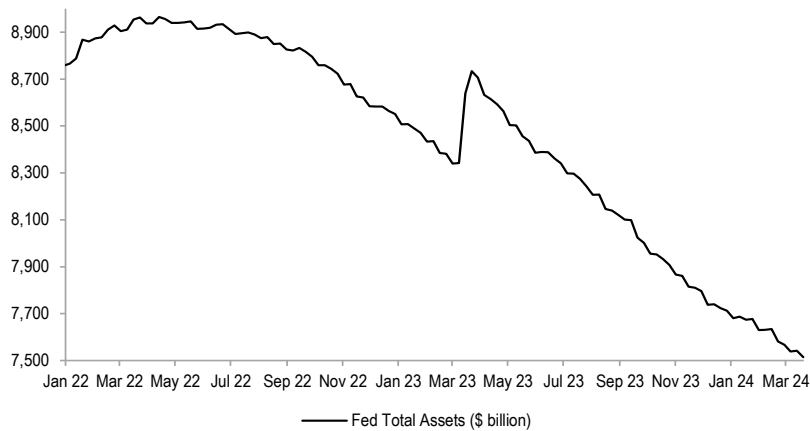
The consensus has fully embraced soft/no landing, but the yield curve was never wrong... the lead-lag was around 18 months... it inverted in October '22



Source: Datastream

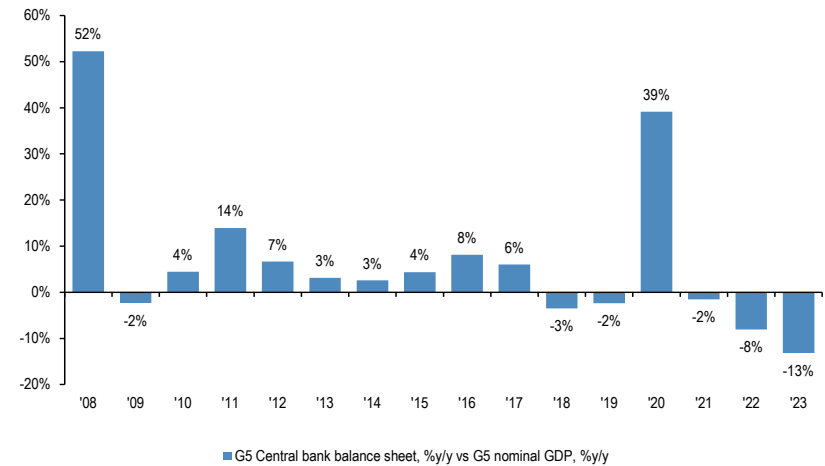
The big picture is one of a withdrawal of excess liquidity

Fed total assets - since Jan '22



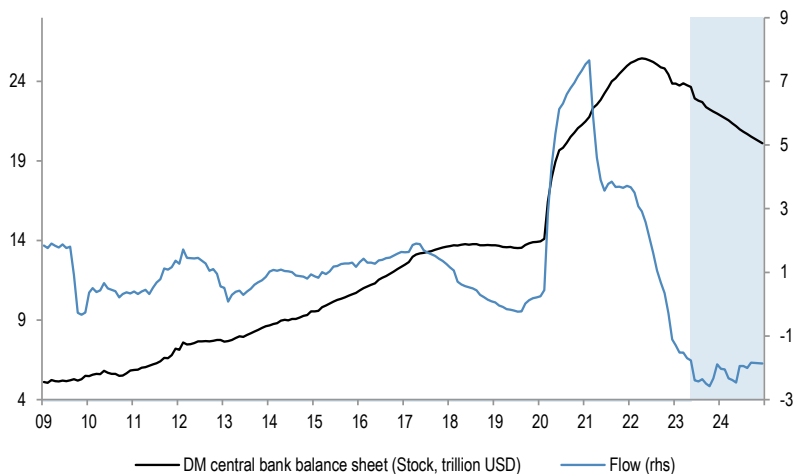
Source: Bloomberg Finance L.P.

G5 central banks balance sheet vs nominal GDP growth



Source: J.P. Morgan

DM central bank balance sheet



Source: J.P. Morgan

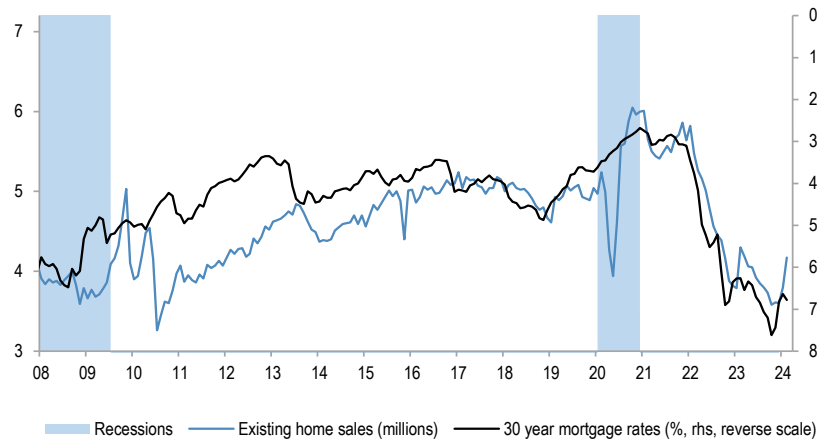
DM Central bank balance sheet (\$bn)

	2018	2019	2020	2021	2022	2023	2024
Fed	-385	115	3161	1431	-258	-848	-930
ECB	244	-32	2473	1695	-639	-1109	-776
BoJ	204	139	860	141	-132	390	-66
BoE	34	-12	388	274	-27	-188	-177
BoC	4	3	312	-35	-65	-70	-111
RBA	-6	0	91	197	0	-43	-82
RBNZ	1	-3	28	10	7	-2	-6
Total	96	210	7313	3713	-1114	-1870	-2148

Source: J.P. Morgan; *12m difference as of December

Consumer has been resilient so far, will that continue?

US existing home sales and mortgage rates



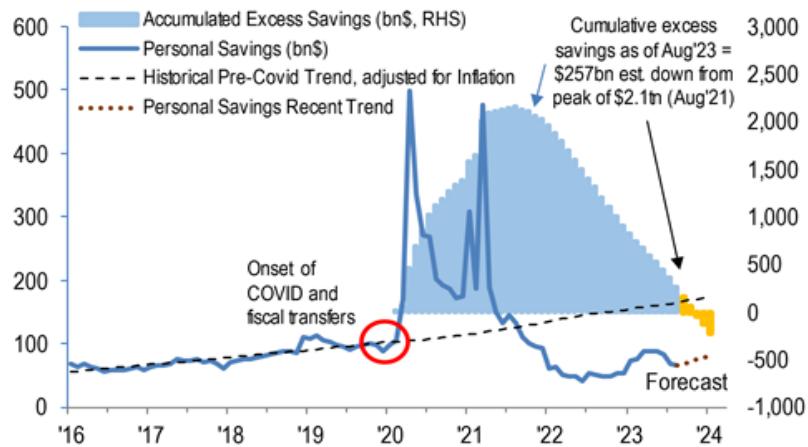
Source: Bloomberg Finance L.P.

US homebuyer affordability - % of spending on mortgage payments



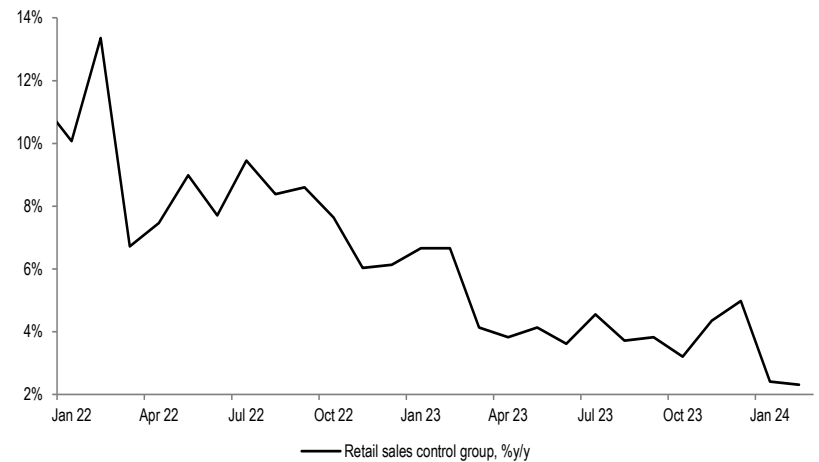
Source: Bloomberg Finance L.P., IBES

US excess savings



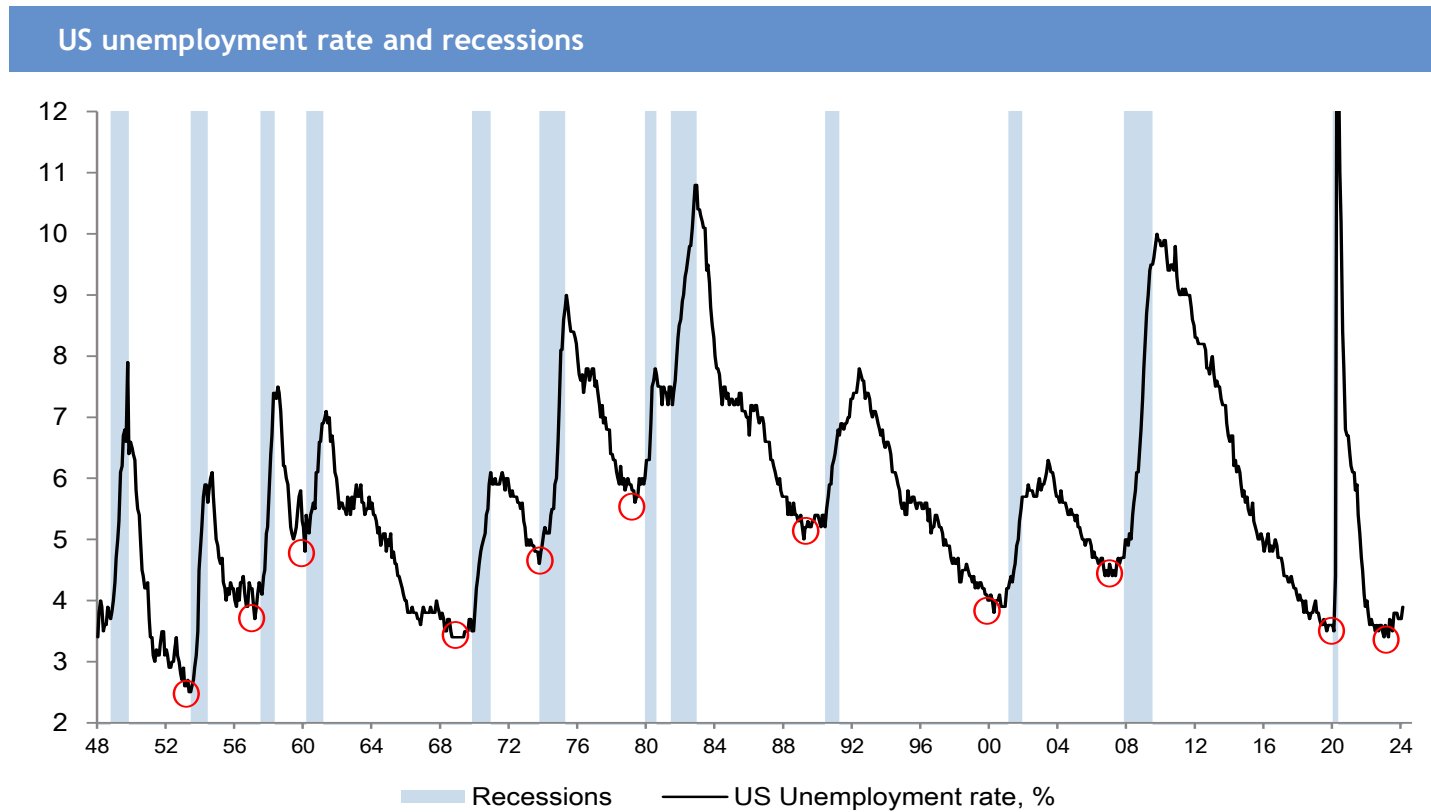
Source: J.P. Morgan US Equity Strategy

US retail sales control group, %yoy



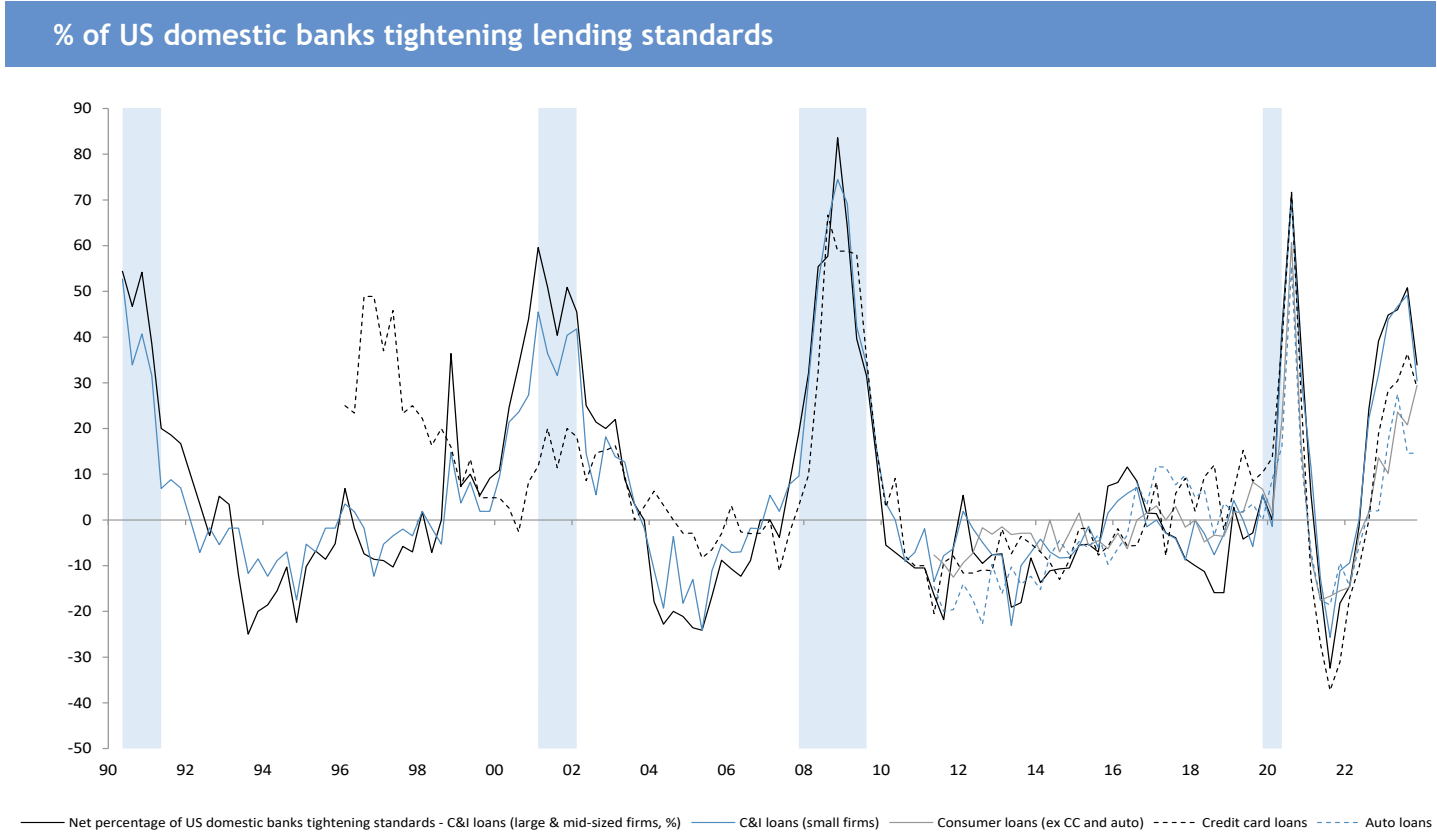
Source: Bloomberg Finance L.P.

Labour market is a lagging indicator... the time between the best labour prints in the cycle and the next slowdown is quite short



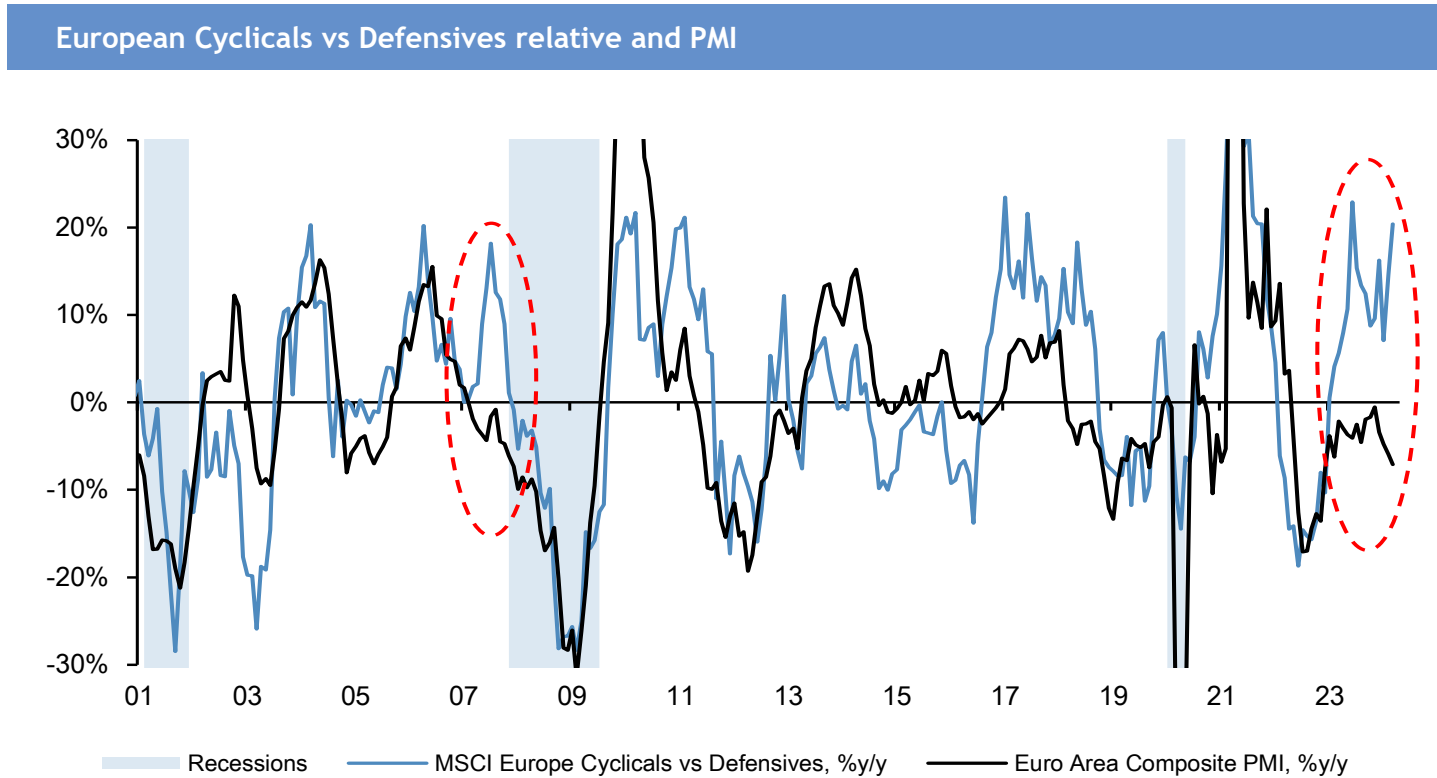
Source: Bloomberg Finance L.P.

Credit conditions are still tightening



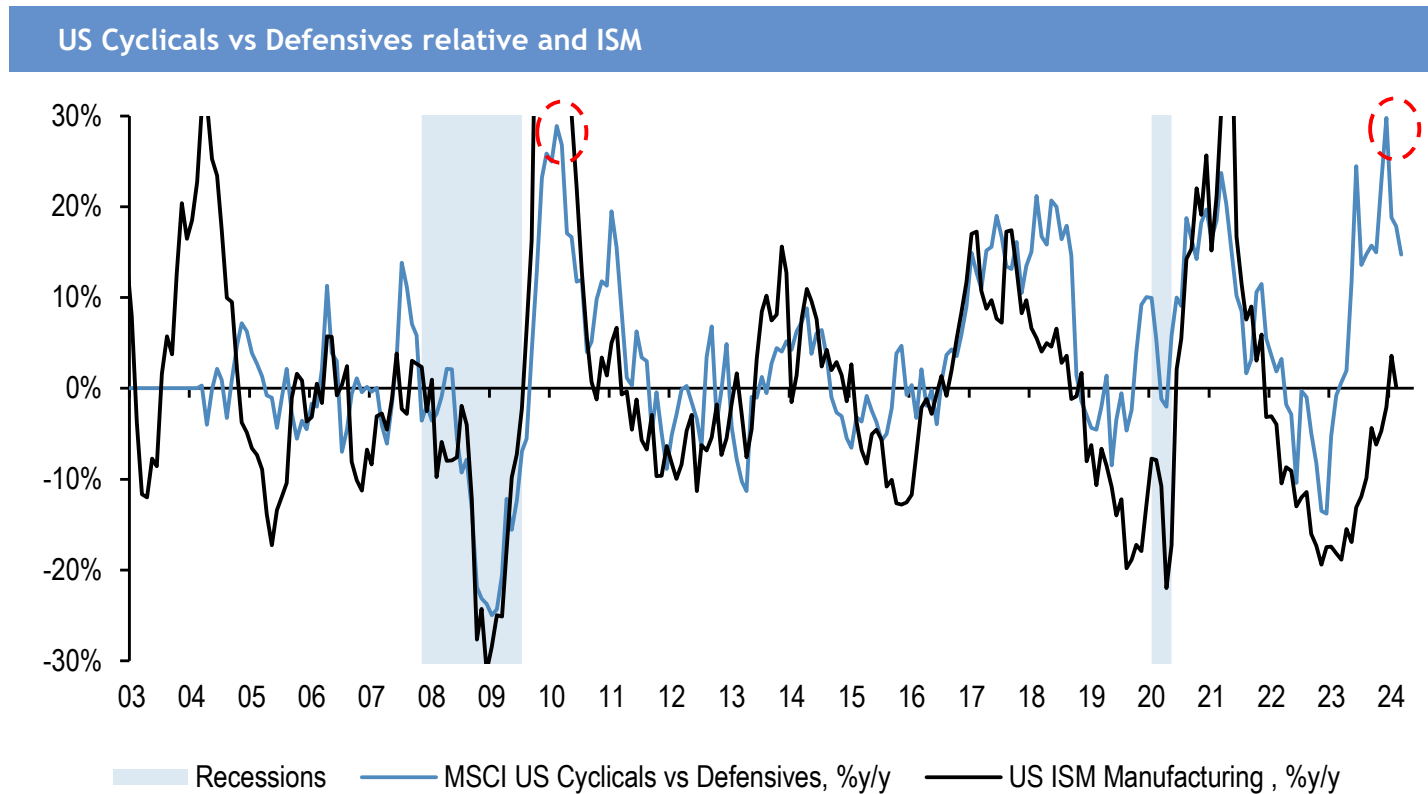
Source: FRB

Market is far from pricing in a risk of a downturn... the gap that opened up between the performance of Cyc vs Def sectors and PMIs is still wide...



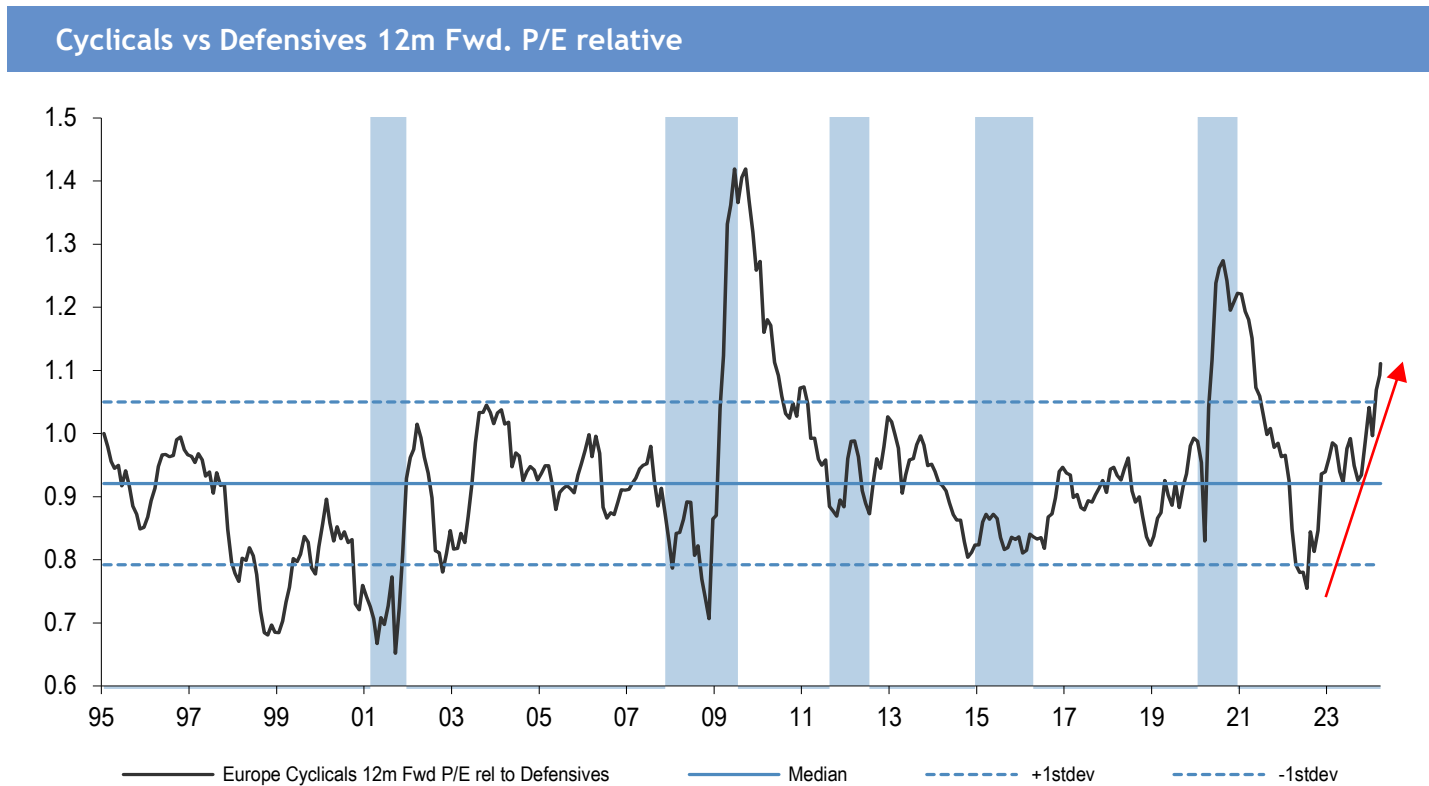
Source: IBES, S&P Global

...US market is showing a similar gap... the market internals are currently as high as they were at peak in '09-'10, post GFC... that might be too aggressive



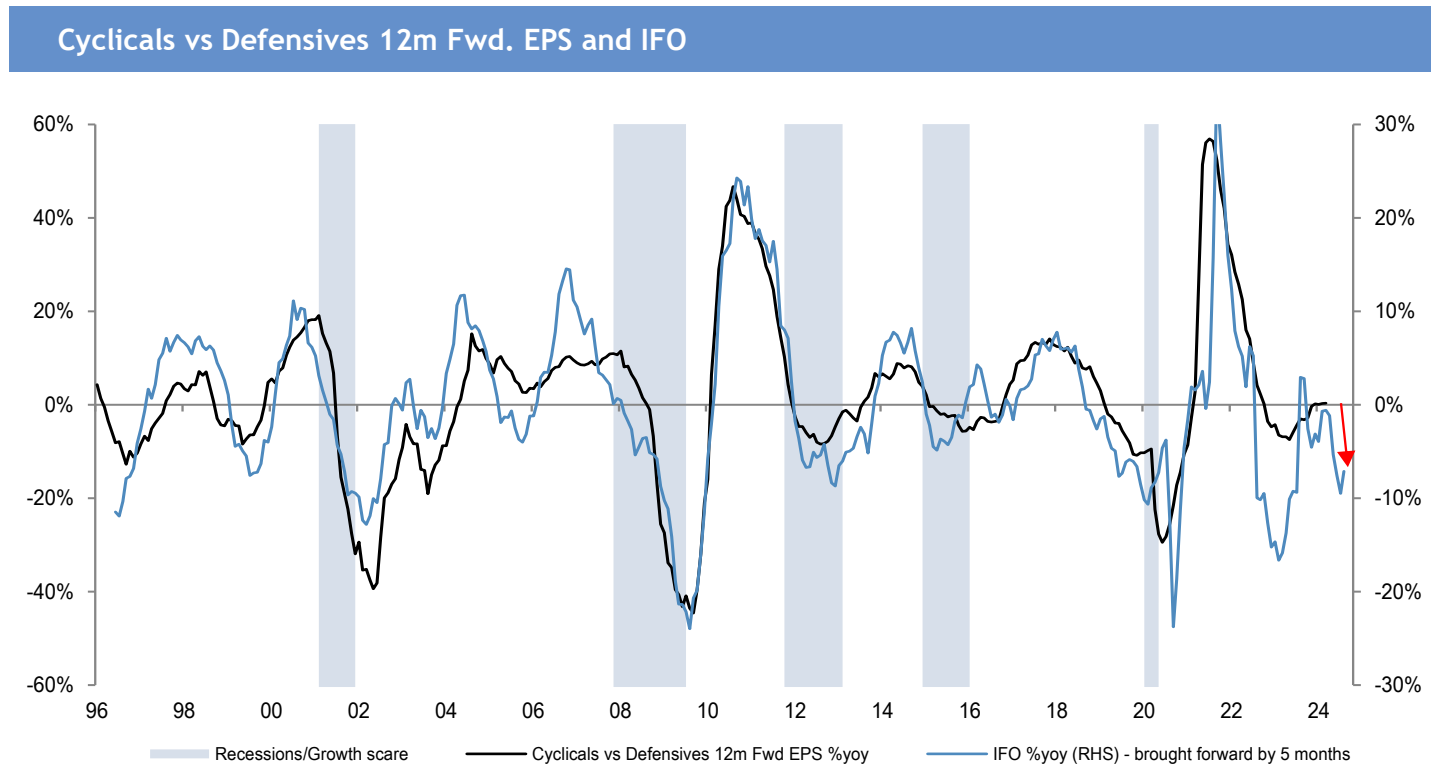
Source: IBES, S&P Global

Cyclicals have re-rated to outright expensive vs Defensives...



Source: IBES, S&P Global

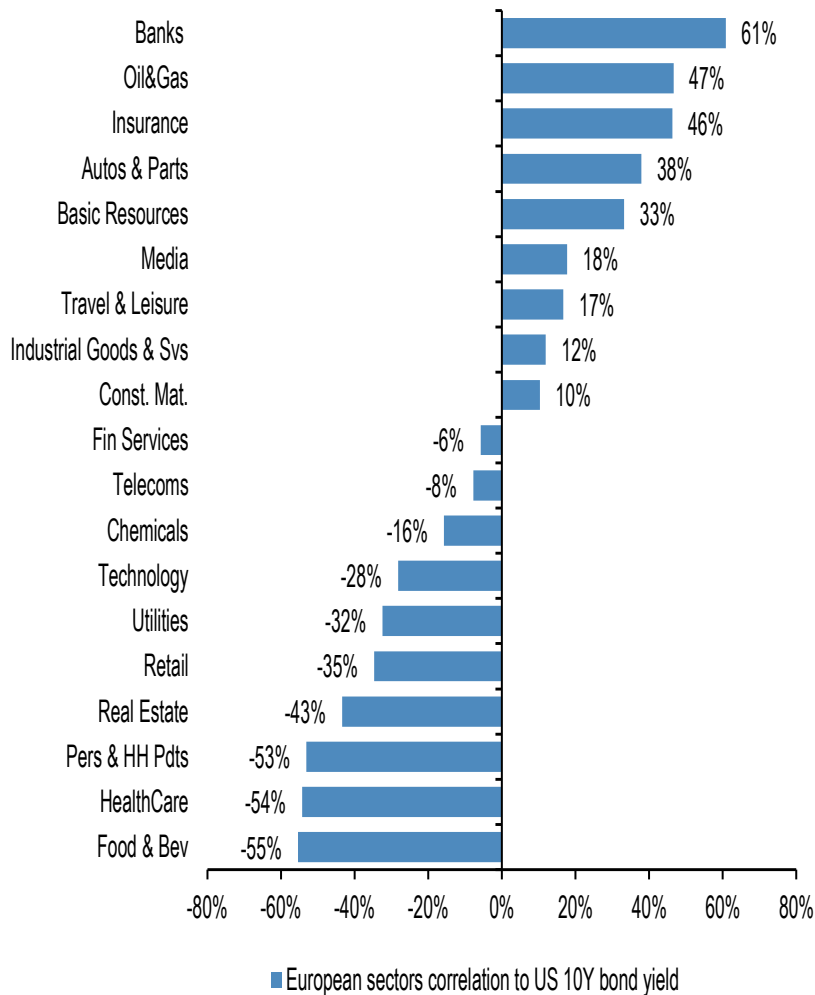
... the question is will the consensus expectations of earnings reacceleration come through... IFO points to downside, rather than upside



Source: IBES, S&P Global

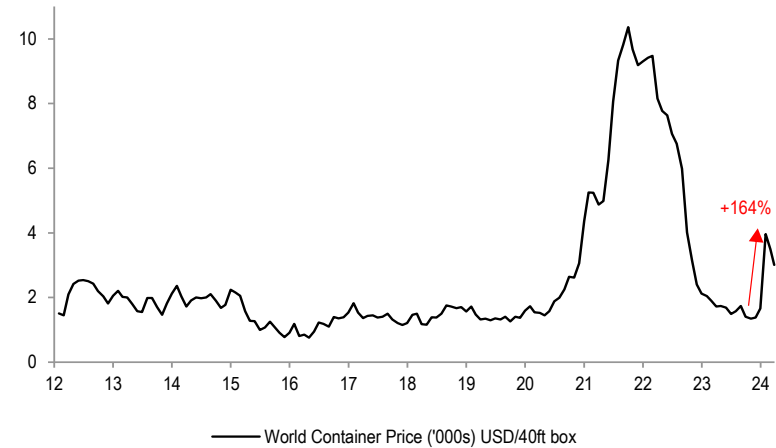
Value & Cyclical are typically positively correlated to bond yields and to earnings... we keep the longstanding view that inflation will continue moving down on an end to COVID distortions, but next few prints could be messy

European Sector correlation to US 10Y bond yields



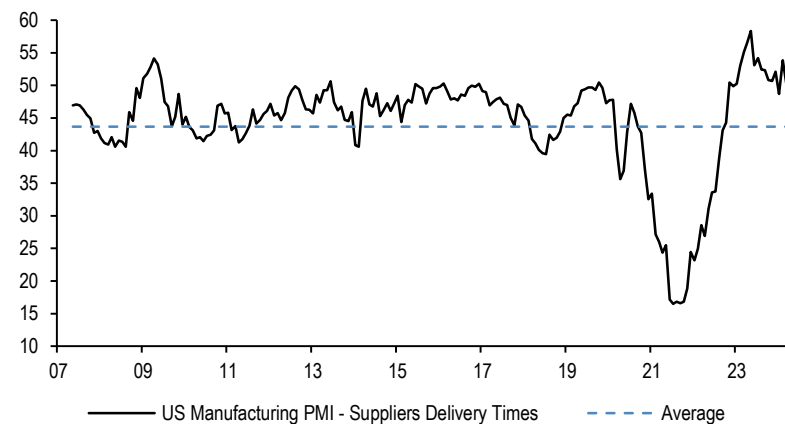
Source: Datastream

World Container Prices



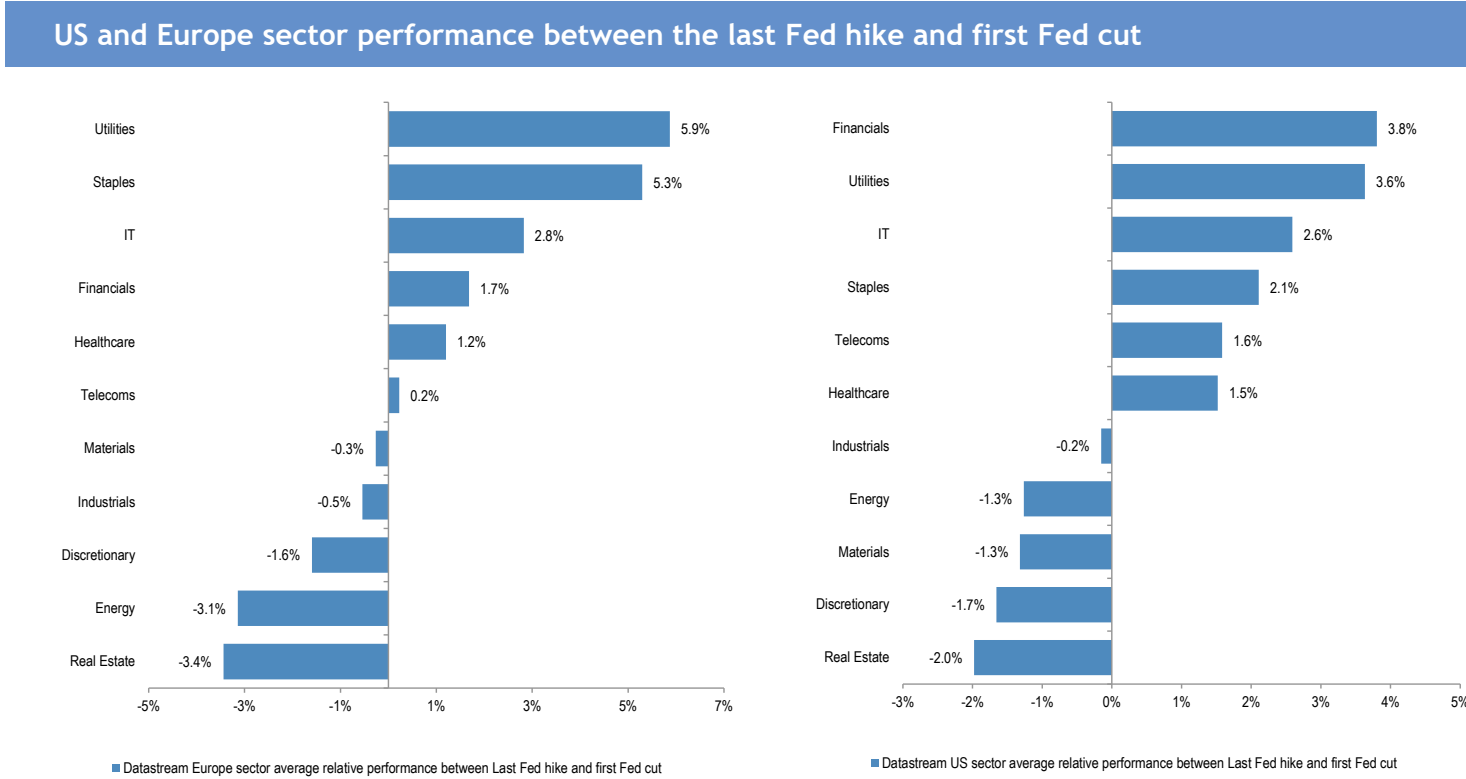
Source: Bloomberg Finance L.P.

US Manufacturing PMI - Suppliers Delivery Times



Source: J.P. Morgan

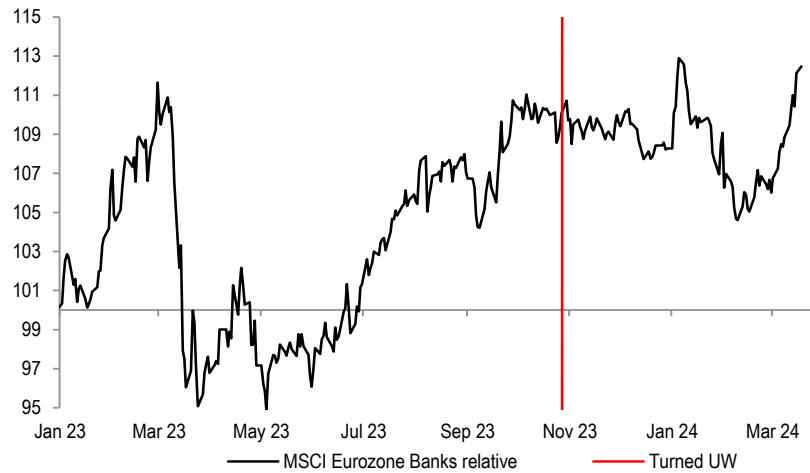
Trading between the final Fed hike and the first cut in the cycle – US and European sectors



Source: Datastream

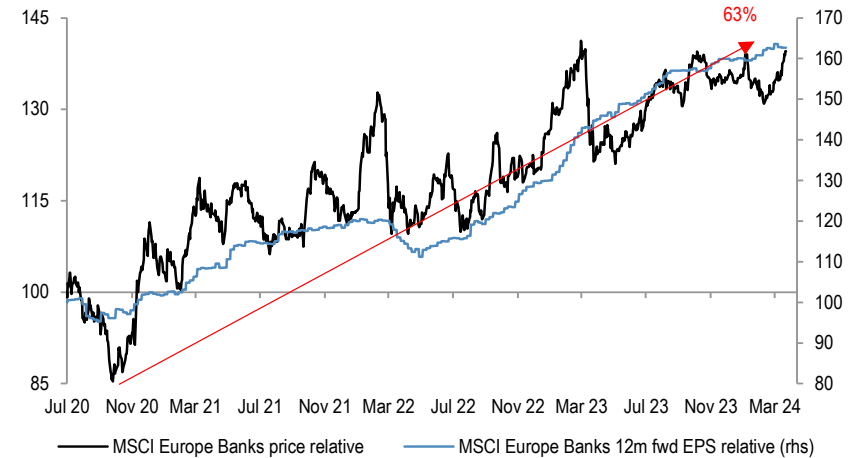
In Q4 we cut European Banks, taking advantage of their very strong rally in the last three years

MSCI Eurozone Banks relative



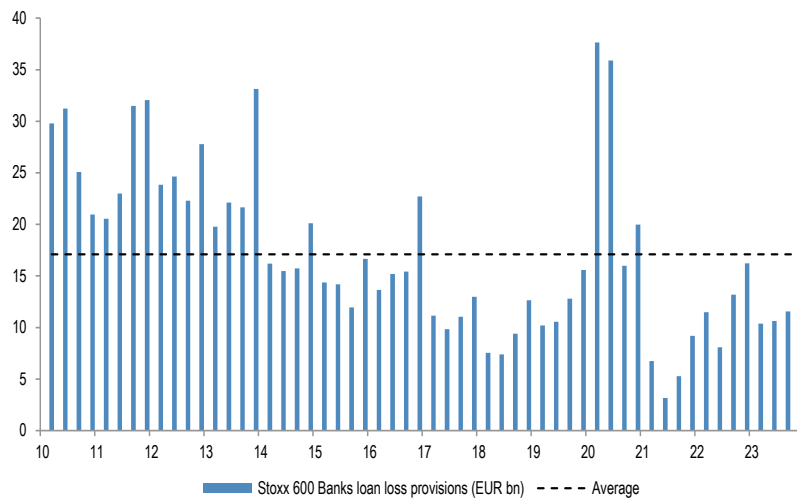
Source: Bloomberg Finance L.P.

MSCI Europe Banks relative and EPS relative



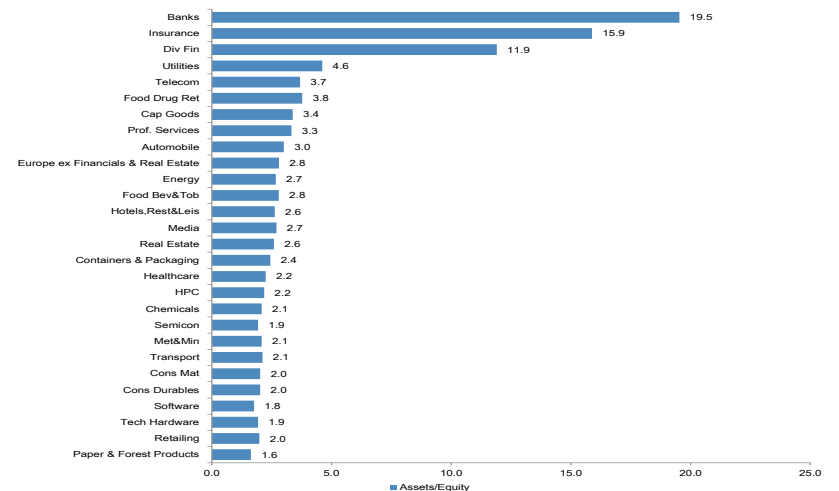
Source: Bloomberg Finance L.P., IBES

Stoxx600 Banks loan loss provisions



Source: Bloomberg Finance L.P.

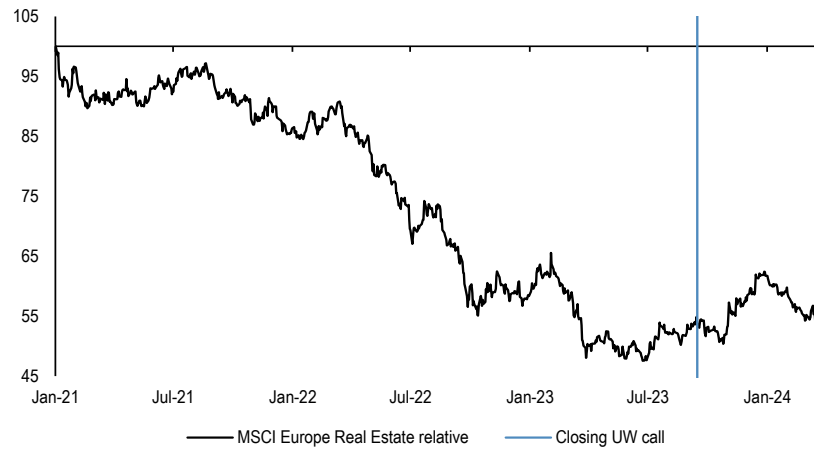
MSCI Europe sectors Asset to Equity



Source: Bloomberg Finance L.P.

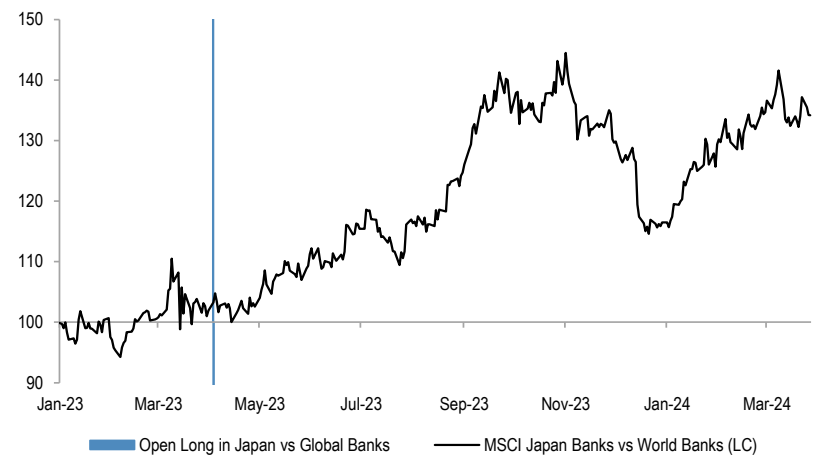
We reversed our 2-year long UW on Real Estate; Stay OW Japanese vs Eurozone Banks; Defensives to have a catch-up trade

European Real Estate price relative



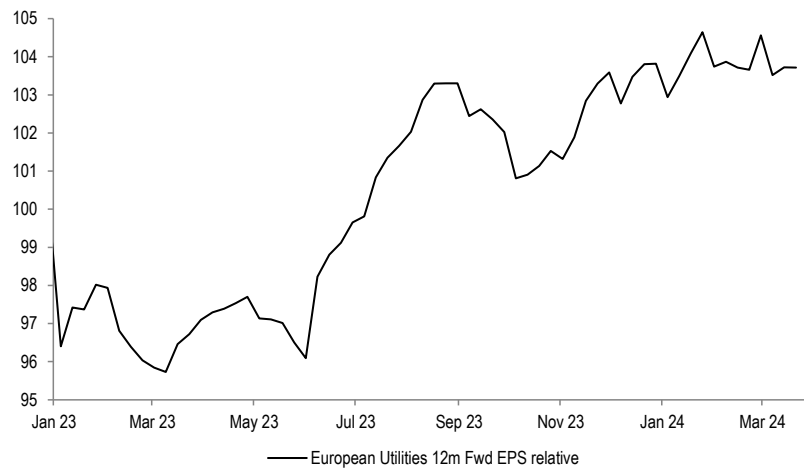
Source: Datastream

MSCI Japan Banks relative to Global Banks



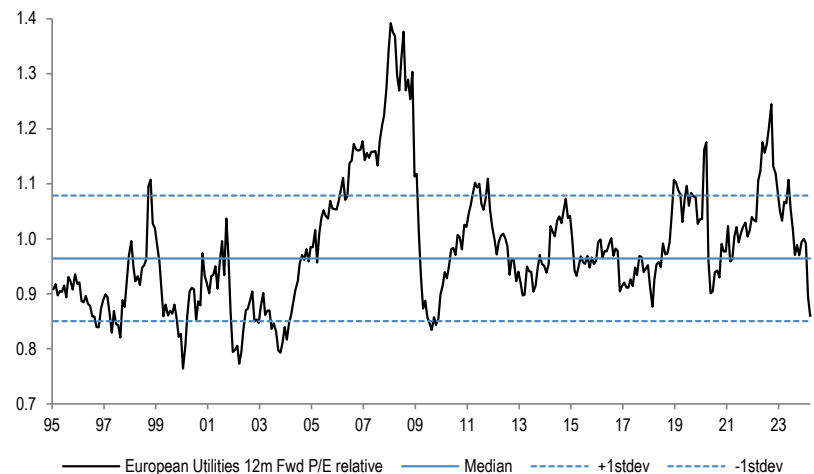
Source: Datastream

European Utilities 12m Fwd. EPS relative



Source: Bloomberg Finance L.P.

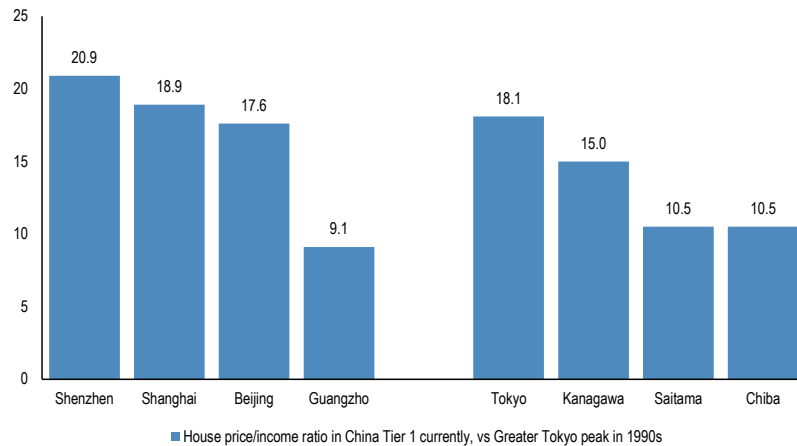
European Utilities 12m Fwd. P/E



Source: IBES

China real estate backdrop and persistent deflation are the uncertainties... the good news is that China equities were down 30%+ from January '23 highs

House price to income ratio in China Tier 1 cities, vs Japan in 1990s



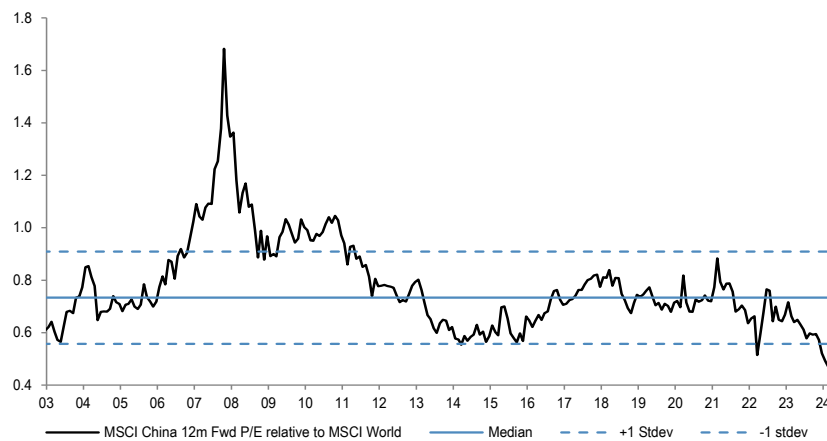
Source: J.P. Morgan China Strategy

Home ownership rate



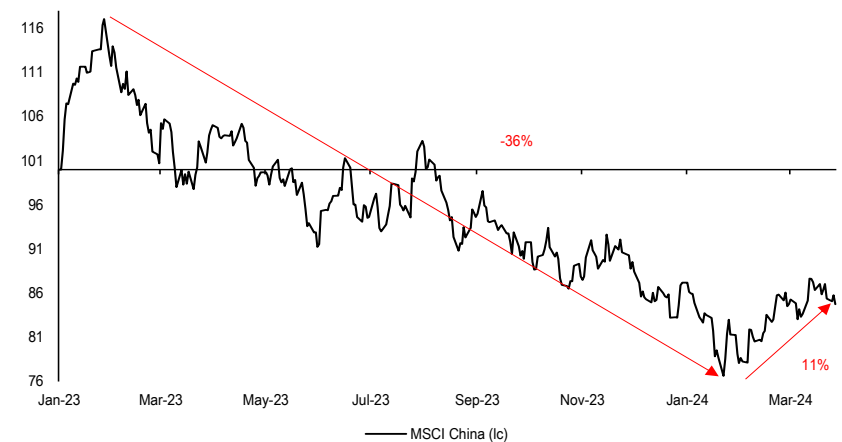
Source: Various Websites

MSCI China P/E relative



Source: Bloomberg Finance L.P.

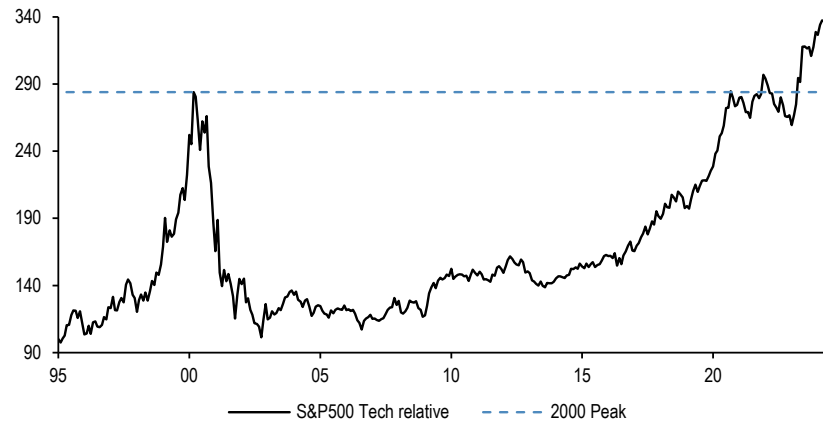
MSCI China



Source: Datastream

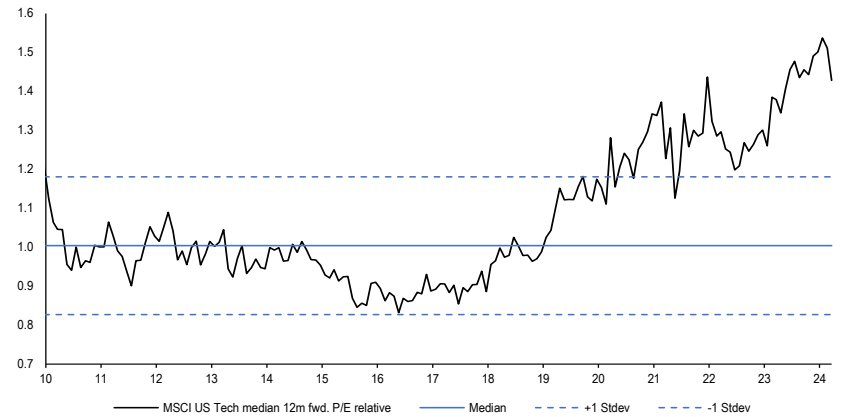
Mag-7 delivered earnings, so far... the rest of Tech is stretched; Stay with quality Tech, and away from non-profitable parts

S&P500 Tech relative



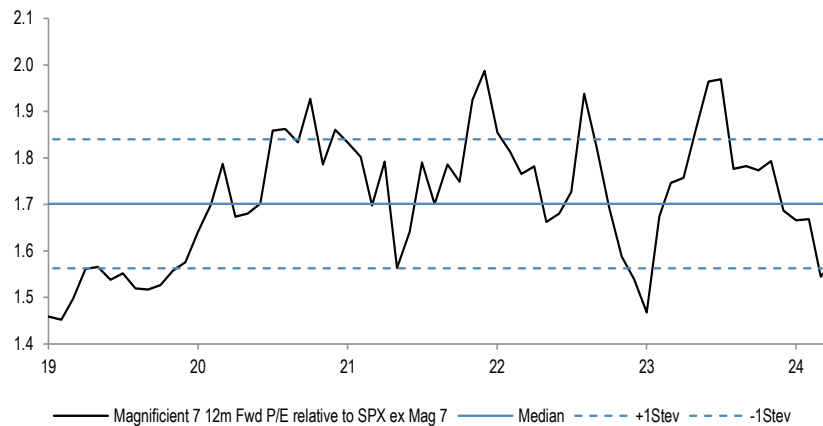
Source: Datastream

MSCI US Tech median 12m Fwd. P/E relative



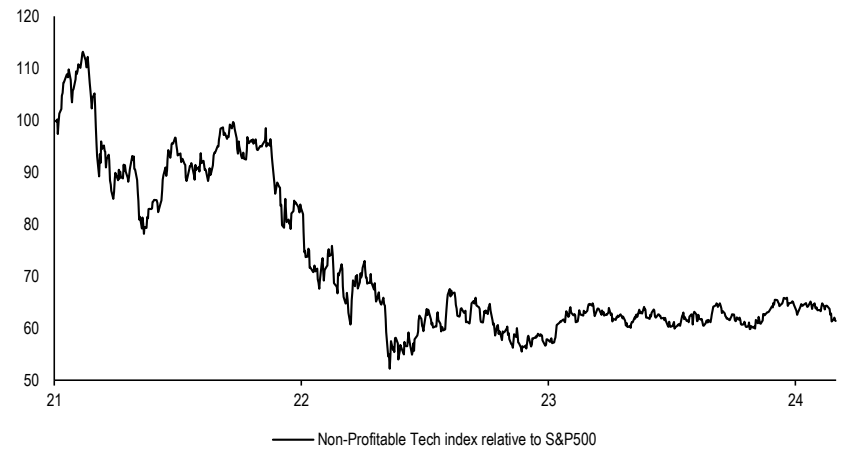
Source: IBES

Magnificent 7 P/E relative to S&P500 ex Mag-7



Source: IBES

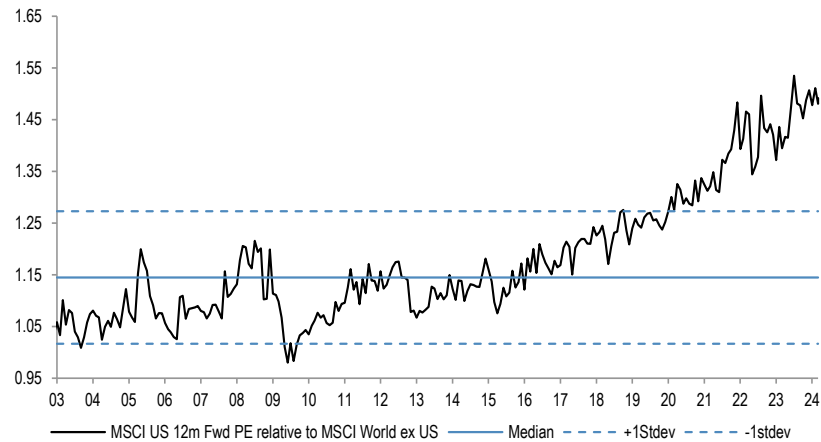
Non-profitable Tech relative



Source: Bloomberg Finance L.P.

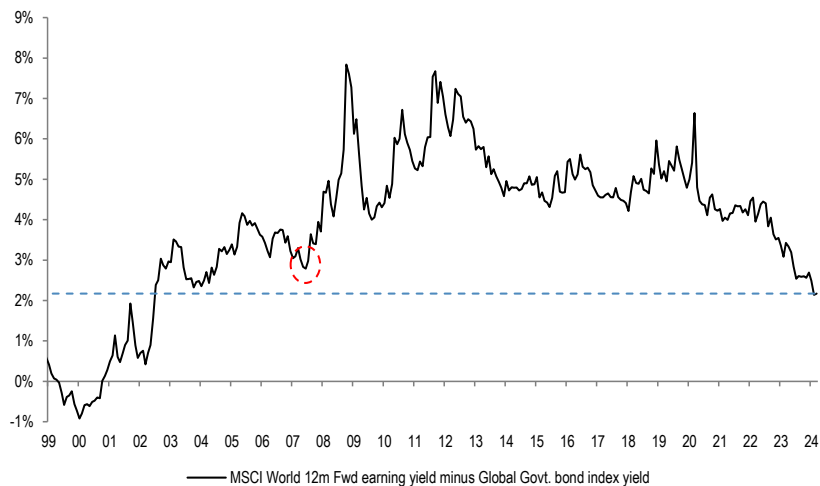
US equity market valuations are unattractive... Eurozone is trading near fair value vs fixed income, while Japan is outright cheap...

MSCI US 12m Fwd. P/E relative to World ex US



Source: IBES

MSCI World earnings yield minus bond yield



Source: Datastream

Current vs Oct '22 forward P/Es and EPS moves

Key regions	Current PE	Oct'22 PE	% change	% change in 12m Fwd EPS
Japan	16.1	12.1	33%	12%
US	21.4	16.5	30%	7%
World	18.7	14.6	28%	7%
Europe	13.8	11.1	24%	11%
Eurozone	13.4	10.7	25%	19%
UK	11.3	9.0	26%	-12%
EM	12.1	10.5	16%	1%
China	9.2	9.5	-3%	1%

Source: IBES

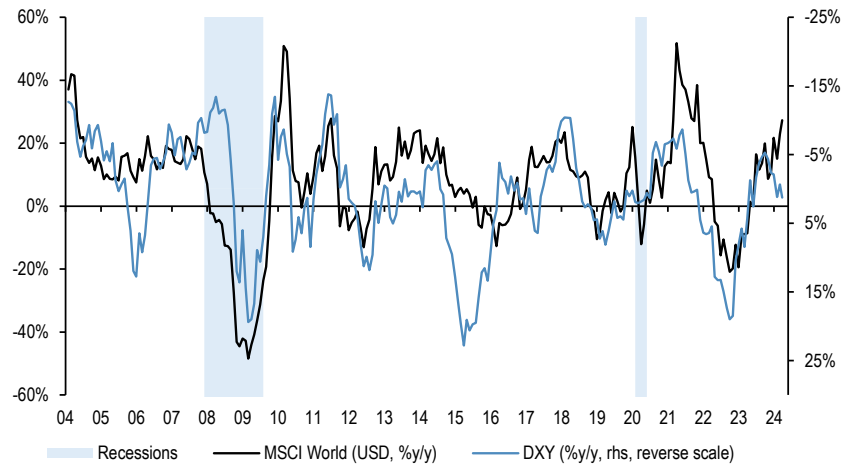
DM Yield Gap in a historical context

	Dividend yield	10Y Bond yield	Dividend yield minus bond yield	Average since '00	Current vs Average (bp)
US	1.4%	4.2%	-2.9%	-1.4%	-149
Japan	1.9%	0.7%	1.2%	0.9%	27
Eurozone	3.0%	2.9%	0.1%	0.4%	-34
UK	3.9%	4.0%	-0.1%	0.6%	-68

Source: Datastream

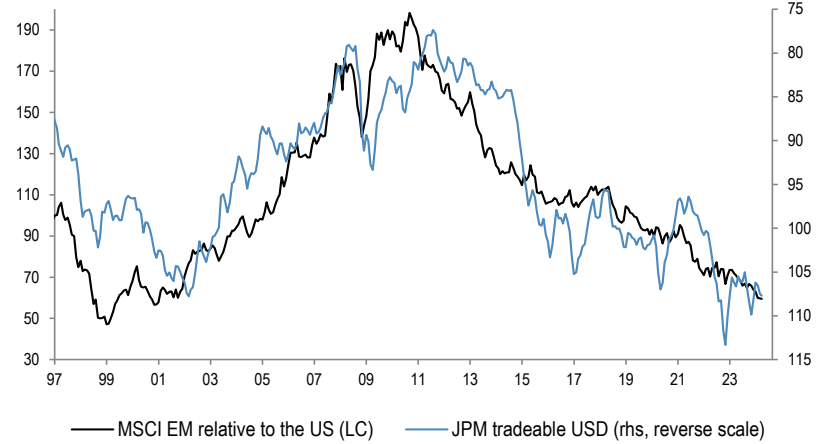
...any renewed strengthening in USD could be a problem for risky assets

MSCI World performance and DXY



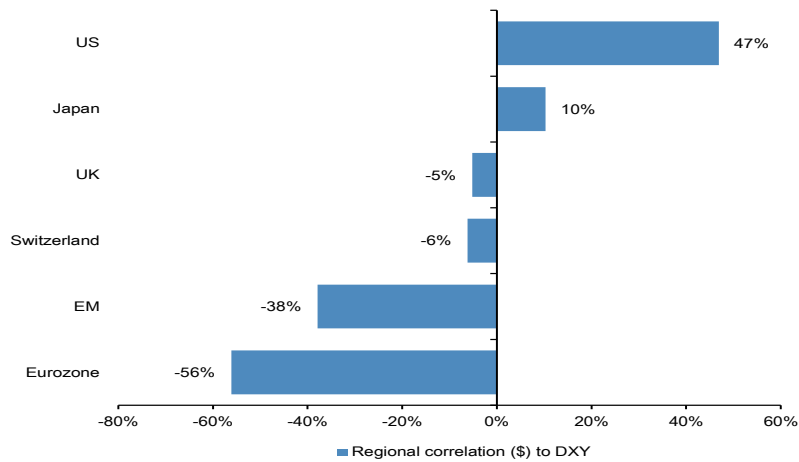
Source: Datastream

MSCI EM vs DM and USD



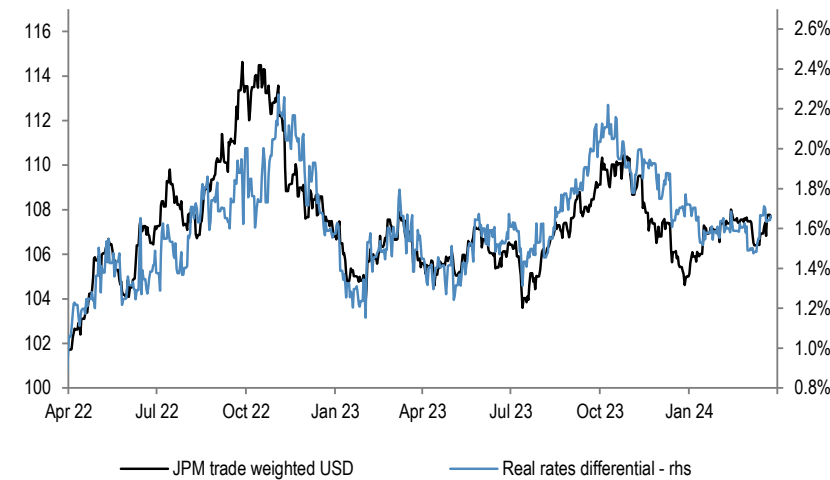
Source: Bloomberg Finance L.P.

Regional correlations vs USD



Source: Bloomberg Finance L.P.

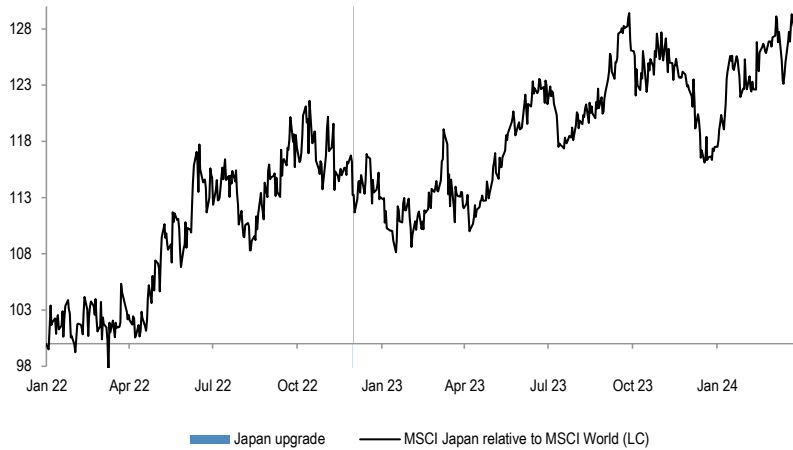
USD and real rates differential



Source: Bloomberg Finance L.P. * US 5Y TIPS minus average of Germany, Japan, UK and Australia 5Y inflation adjusted yields

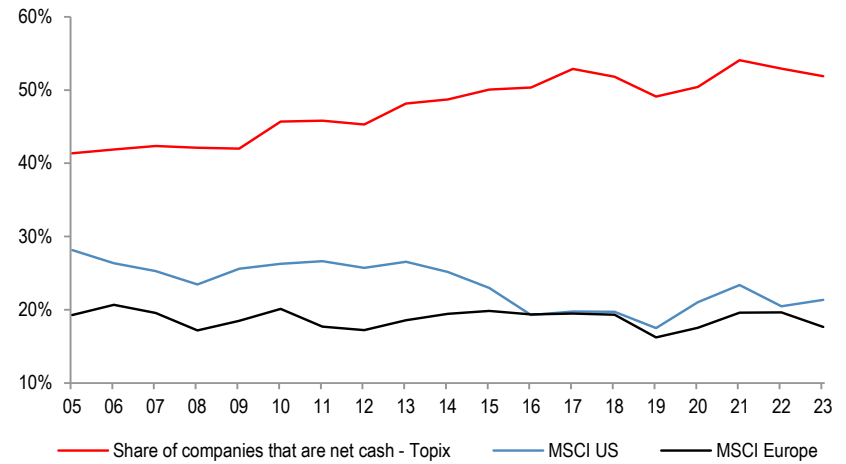
We have upgraded Japan to OW in December '22... we stay OW for 2024

MSCI Japan price relative (lc)



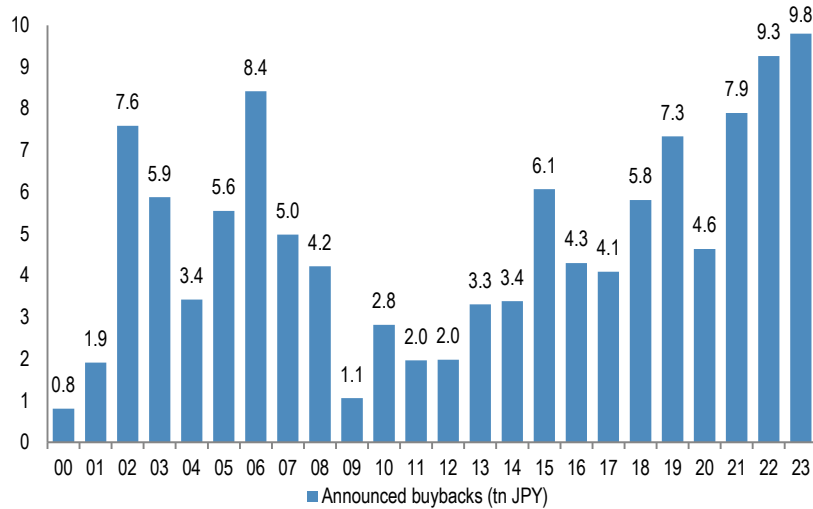
Source: Datastream

% of net cash companies in the index



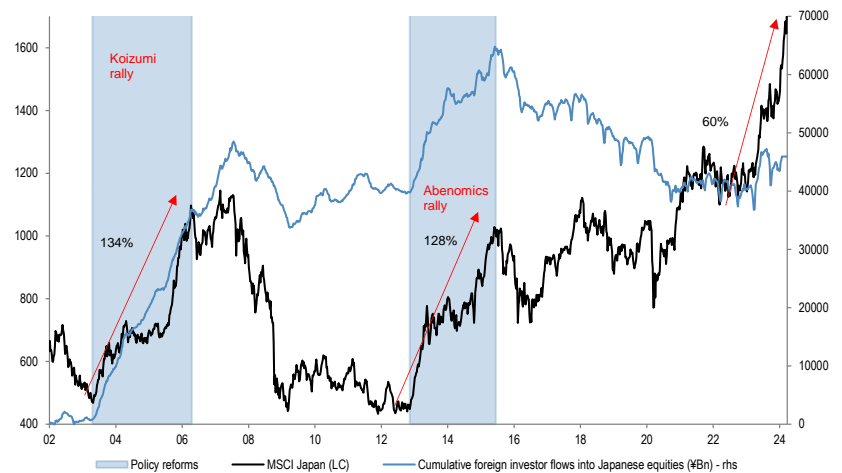
Source: Bloomberg Finance L.P.

Announced buybacks - TOPIX universe



Source: Bloomberg Finance L.P.

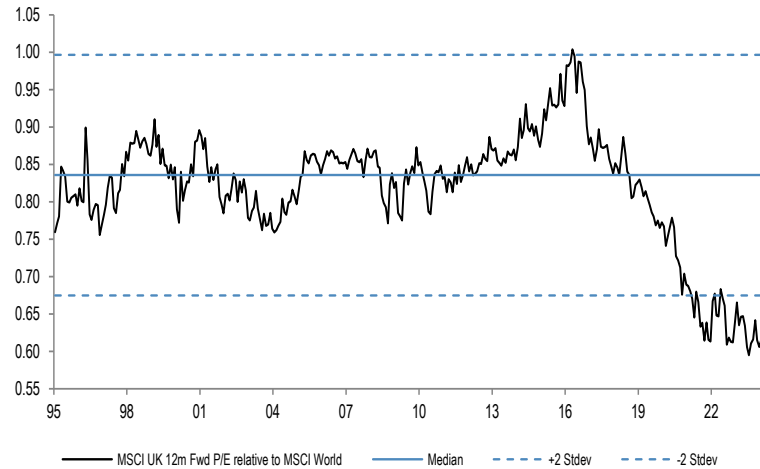
MSCI Japan price relative during Koizumi and Abenomics rally



Source: Datastream, Bloomberg Finance L.P.

OW UK, on attractive valuations... keep long FTSE100 vs FTSE250, for now

MSCI UK 12m Fwd. P/E relative to MSCI World



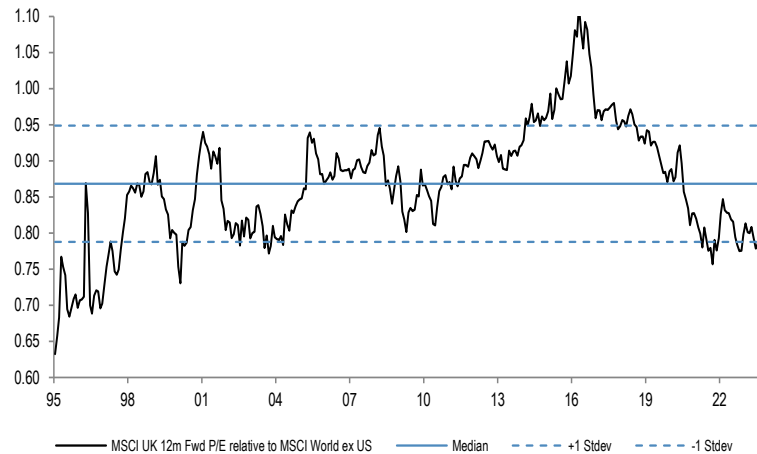
Source: IBES

FTSE100 vs FTSE250



Source: Datastream

MSCI UK 12m Fwd. P/E relative to MSCI World ex US



Source: IBES

Fundamentally: 1) Growth momentum is projected to soften vs '23

- There is a loss of momentum evident since mid last year, especially in Europe and in China. Manufacturing is still not showing a meaningful bounce, and services could stall.
- Even though there are no clear imbalances in the DM, the pressure keeps building, as the impact of monetary tightening historically worked with a lag.

JPM GDP forecasts, by region

	Real GDP		
	% oya		
	2023E	2024E	2025E
United States	2.5	2.3	1.6
Eurozone	0.5	0.4	1.0
United Kingdom	0.1	0.0	0.1
Japan	1.9	0.7	0.8
Emerging Markets	4.2	4.0	3.6
Global	2.7	2.5	2.3

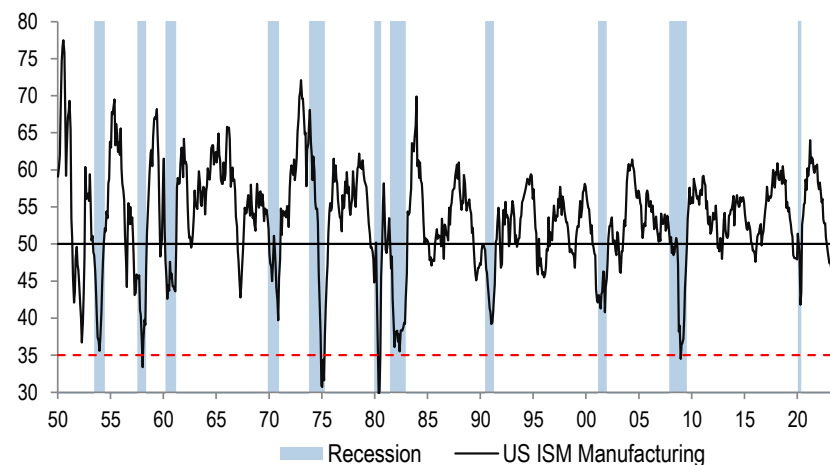
Source: Bloomberg Finance L.P., S&P Global

J.P. Morgan global composite PMI

	Global Composite PMI summary								
	Jun'23	Jul'23	Aug'23	Sep'23	Oct'23	Nov'23	Dec'23	Jan'24	Feb'24
Global PMI	52.7	51.6	50.6	50.5	50.0	50.4	51.0	51.8	52.1
Output	52.7	51.6	50.6	50.5	50.0	50.4	51.0	51.8	52.1
Future output	64.1	61.9	62.4	61.5	61.4	61.3	62.5	63.7	63.0
New orders	52.3	50.7	50.1	49.3	49.3	50.0	50.8	51.4	51.6
Export orders	48.3	47.8	47.9	48.1	48.0	48.5	48.3	49.2	49.6
Employment	51.9	51.0	51.0	50.9	50.5	50.1	50.4	50.7	50.7
Output prices	53.4	53.7	53.4	53.6	53.0	53.5	53.5	52.6	53.5

Source: J.P. Morgan, S&P Global

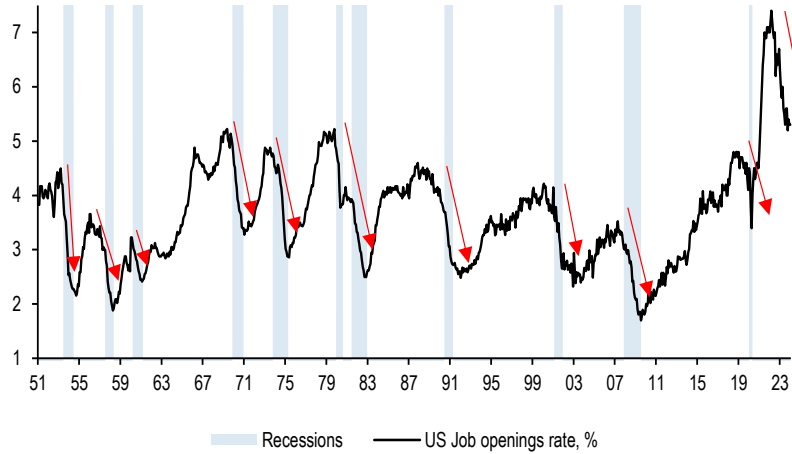
US ISM Manufacturing and past recessions



Source: Bloomberg Finance L.P. *dotted line refers to median trough during recessions

Consumer could weaken from here... pent up demand has been depleted...

US job vacancies rate



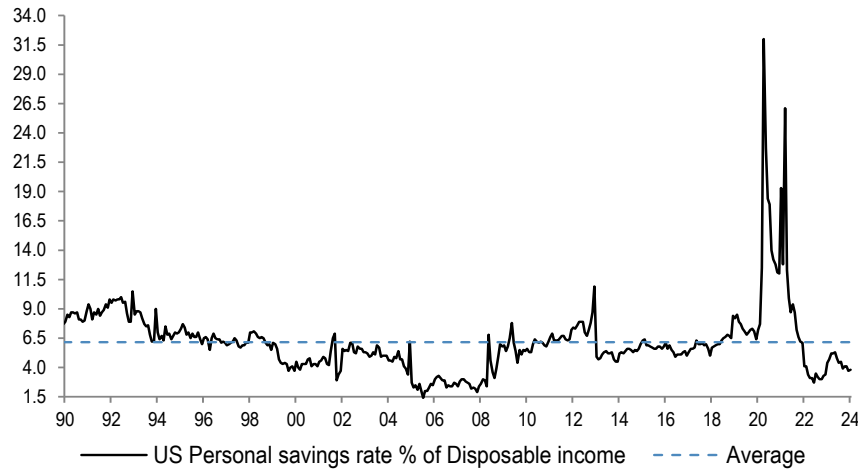
Source: Barnichon, SF Fed, J.P. Morgan

US job openings and unemployed population



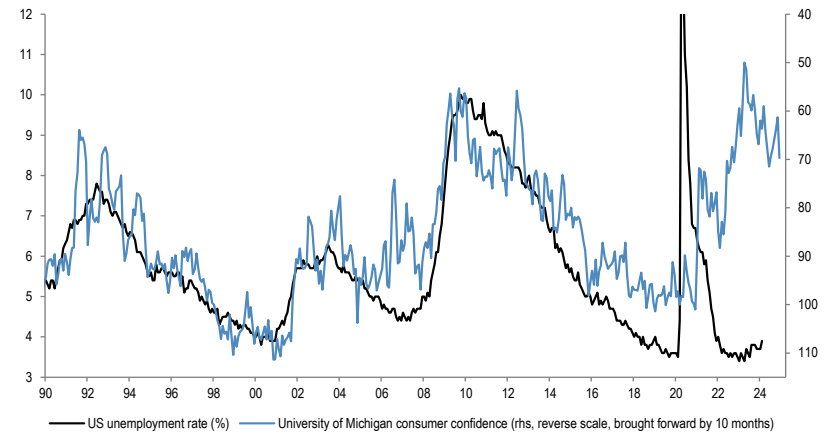
Source: J.P. Morgan

US savings rate



Source: Bloomberg Finance L.P.

Consumer confidence vs unemployment rate

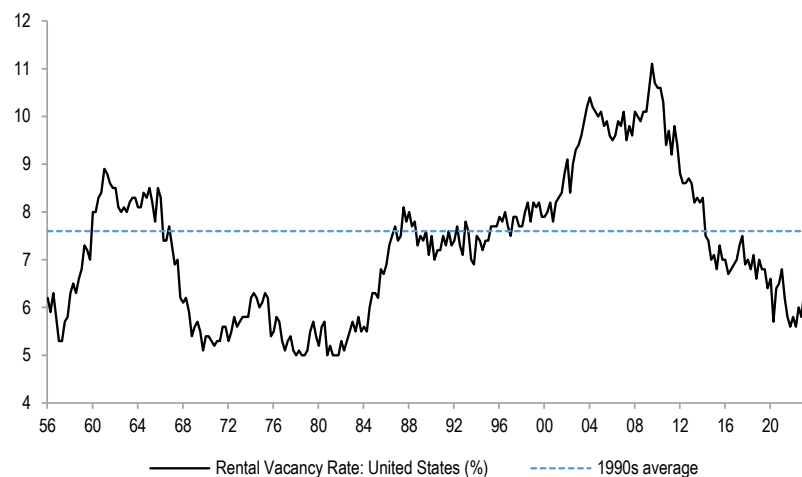


Source: J.P. Morgan

...house prices are likely to stay under pressure

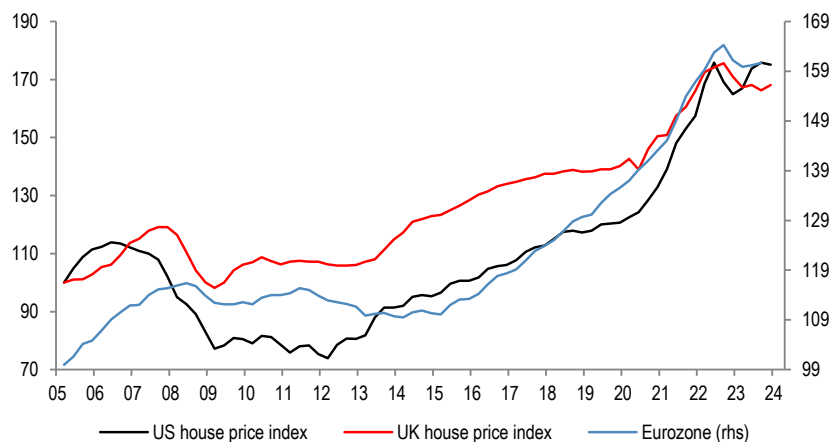
- House prices have been driven up due to strong demand and limited inventory.
- Vacancy rates for rentals are relatively low.
- Consumer balance sheets look healthy, but house prices are likely to move lower, given reduced affordability.

US rental vacancy rate



Source: BEA

US, UK and Eurozone house prices



Source: Bloomberg Finance L.P.

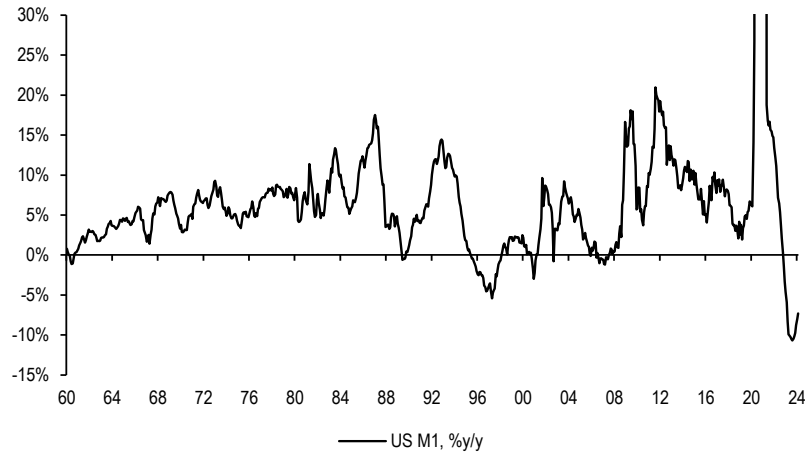
US household leverage (%)



Source: FRB

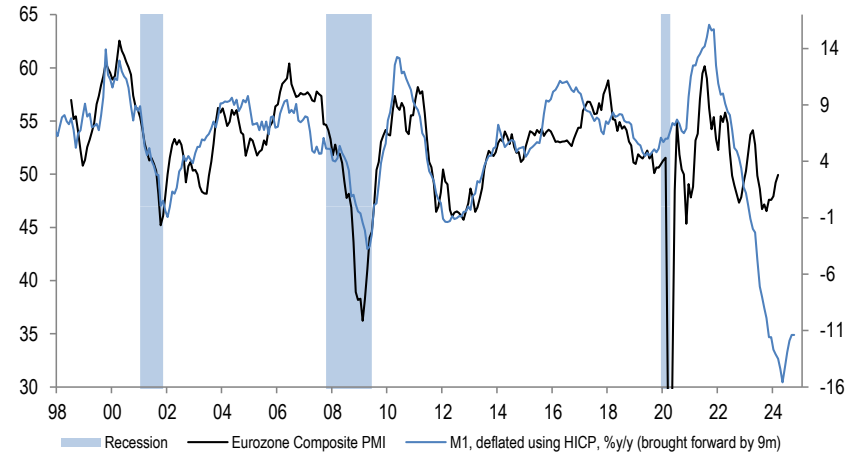
Money supply – a leading indicator for PMIs – is stabilizing, but at a low level

US M1, %y/y



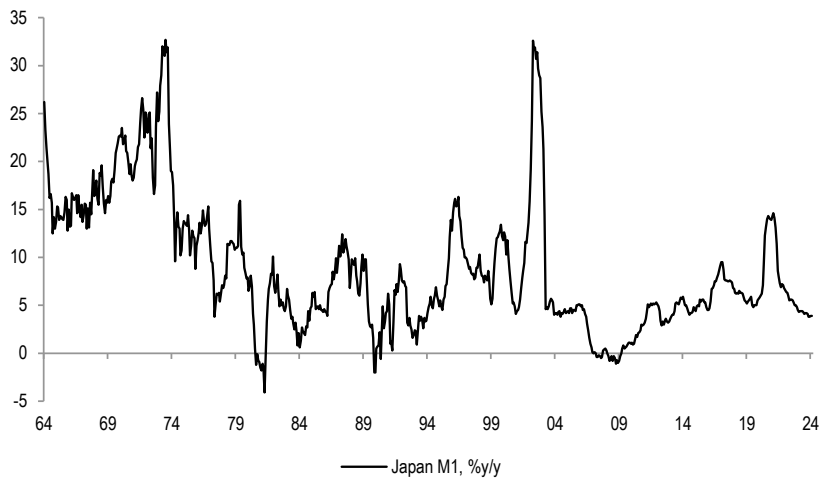
Source: Bloomberg Finance L.P.

Eurozone M1 growth (deflated by HICP) vs PMI



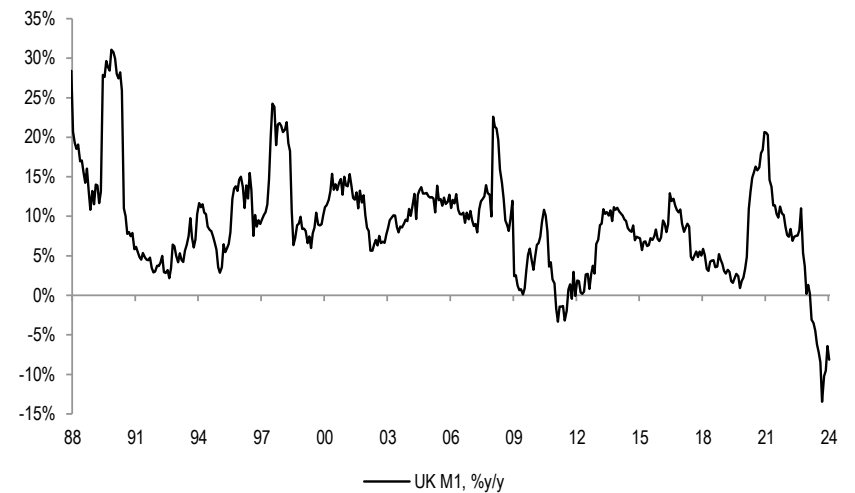
Source: Bloomberg Finance L.P., S&P Global

Japan M1, %y/y



Source: Bloomberg Finance L.P.

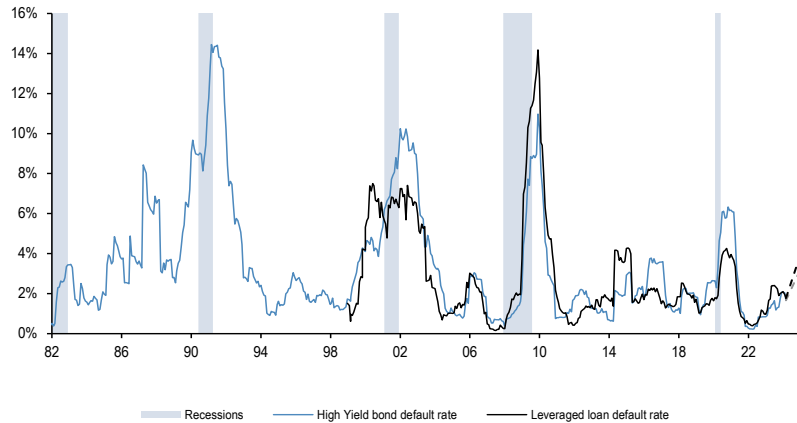
UK M1, %y/y



Source: Bloomberg Finance L.P.

Default rates are low, but will that hold?

US HY and leveraged loan default rate



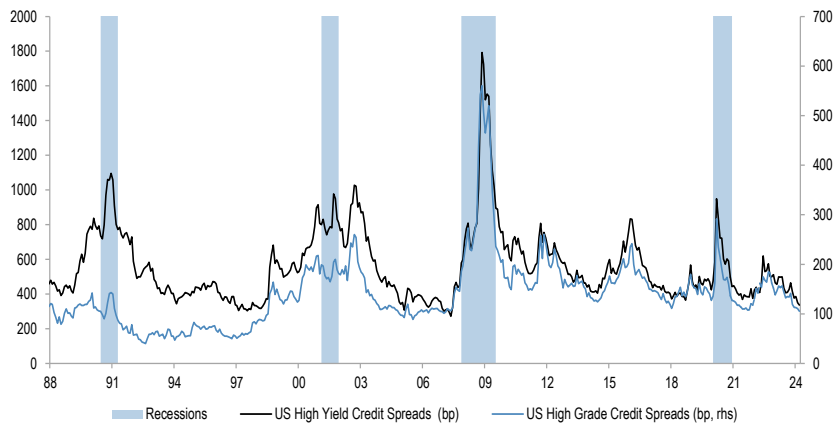
Source: J.P. Morgan

HY credit spreads and recessions

Past recessions	Trough in HY spreads	# months to recession	Move in spreads: trough to recession (bp)
1990	Jul-88	25	327
2001	Mar-98	37	513
2008	Jun-07	7	325
2020	Oct-18	17	784
Median		21	420
Average		22	487

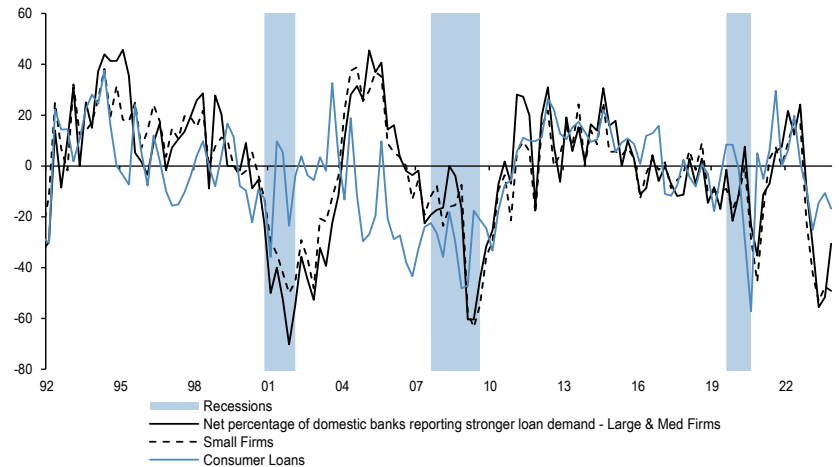
Source: J.P. Morgan, *move from trough to present

US HY and HG credit spreads



Source: J.P. Morgan, NBER

% of US banks reporting stronger loan demand

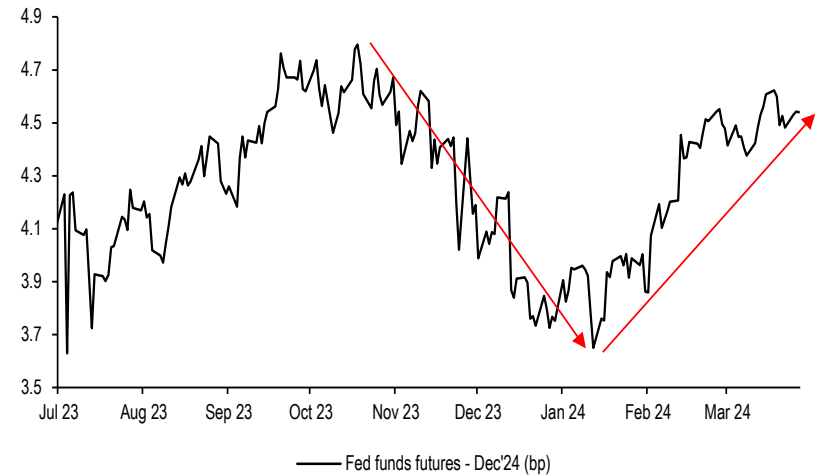


Source: FRB

2) Fed to start cutting rates in 2H, but the window could be narrow

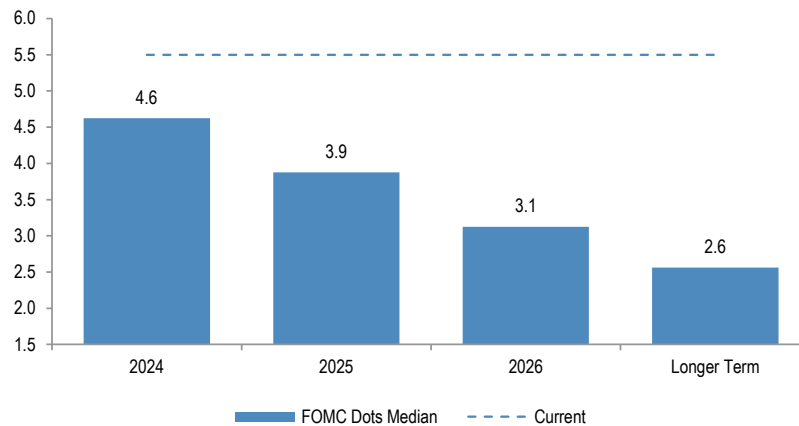
- The risk is that Fed stays “higher for longer”, until the market weakness forces them to reconsider, in our view.

Fed Funds Futures - Dec '24



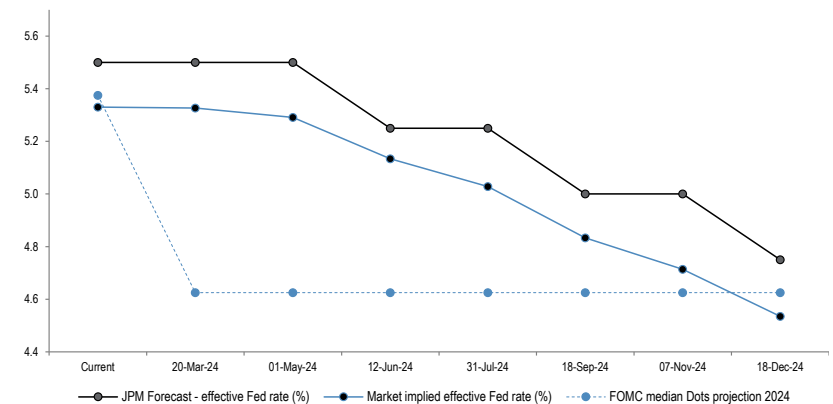
Source: Bloomberg Finance L.P.

FOMC Dots median



Source: Bloomberg Finance L.P.

JPM expected and market implied Fed funds rate

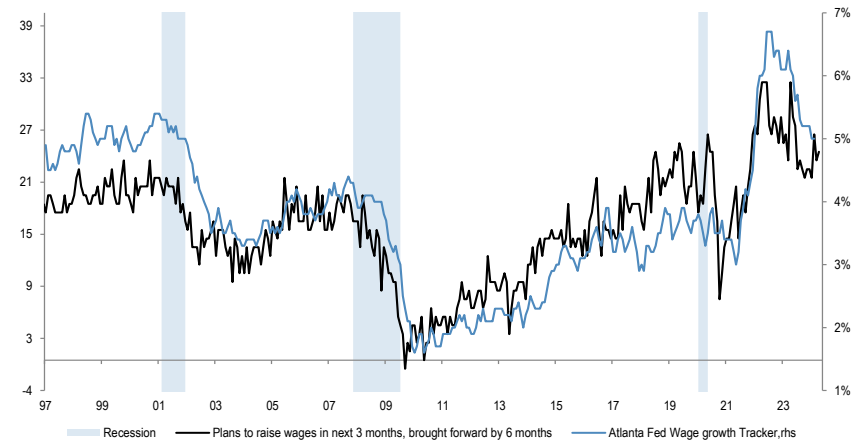


Source: Bloomberg Finance L.P.

JPM expects inflation to keep moving lower, but at a reduced pace...

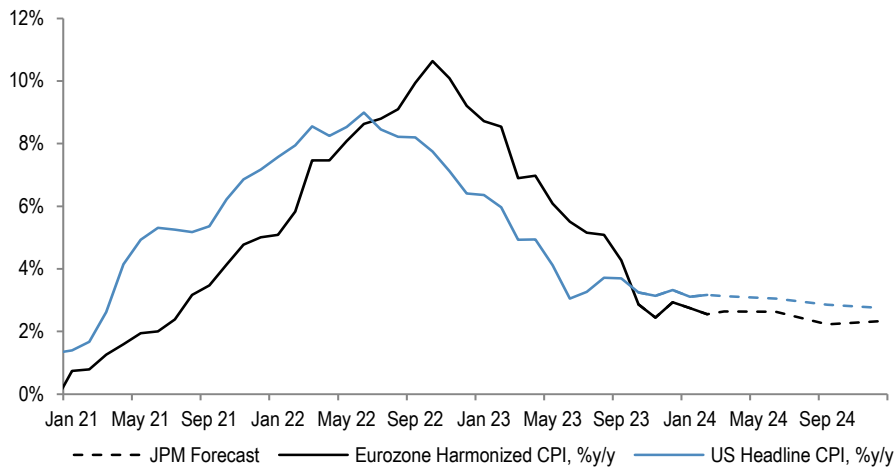
- JPM projection is for a continued move lower in inflation from here.

NFIB survey – wage plans vs Atlanta Fed Wage tracker



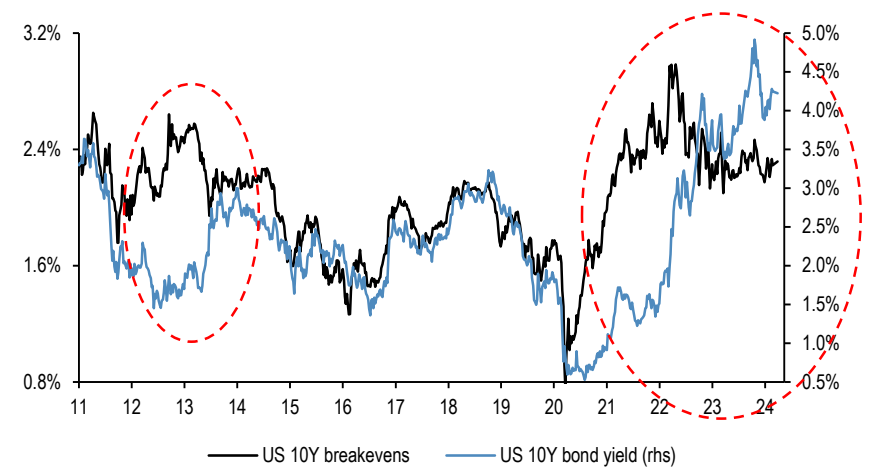
Source: Bloomberg Finance L.P.

JPM inflation projections



Source: J.P. Morgan

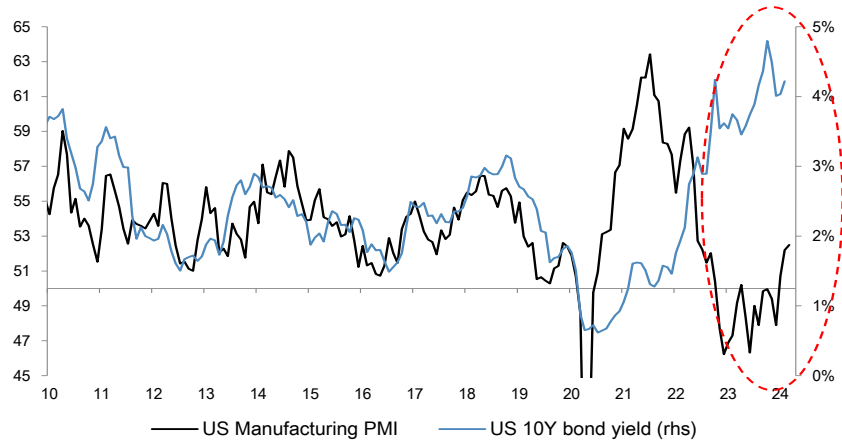
US 10Y breakevens and 10Y bond yield



Source: Bloomberg Finance L.P.

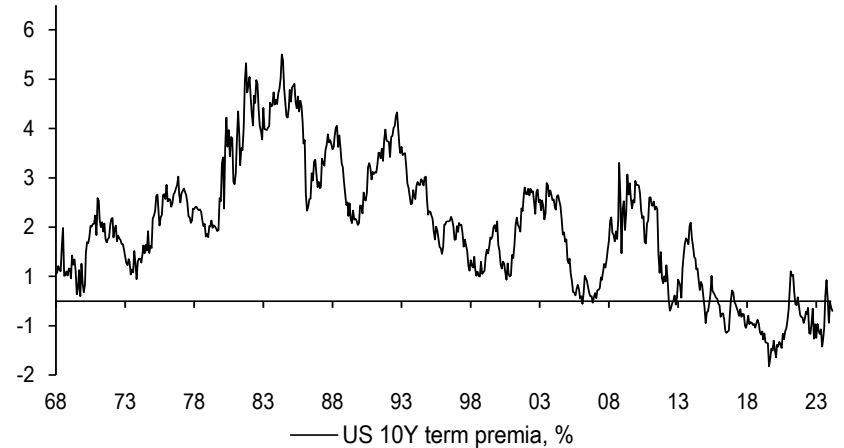
...term premia for bonds has gone negative again

US manufacturing PMI and US 10Y bond yield



Source: Bloomberg Finance L.P., S&P Global

US 10-year term-premia



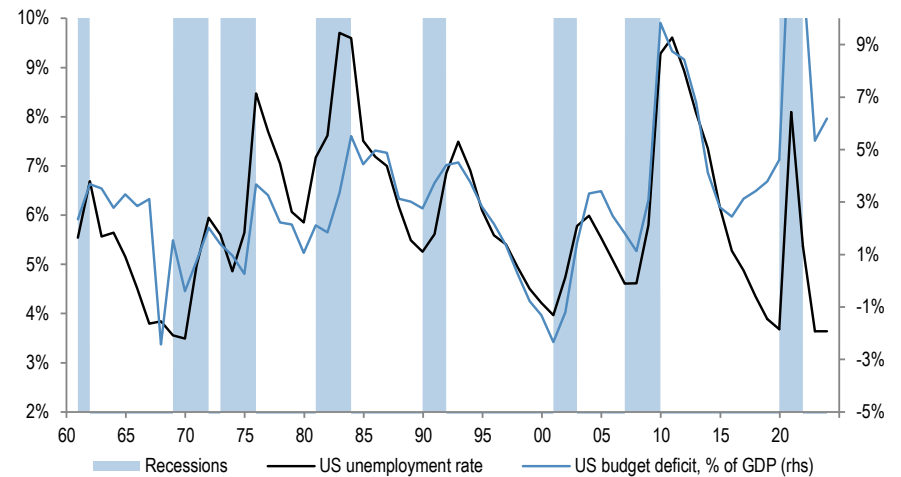
Source: J.P. Morgan

Move in yields during past Fed hiking cycles

Fed hiking cycles	Move in		
	10Y - 2Y yield curve (bp)	10Y bond yield (bp)	2Y bond yield (bp)
Oct '80 - May '81	-85	157	241
Mar '83 - Aug '84	-65	268	333
Apr '87 - May '89	-113	116	229
Feb '94 - Feb '95	-118	157	275
Jun '99 - May '00	-75	57	132
Jun '04 - Jun '06	-215	50	265
Dec '15 - Dec'18	-112	48	160
Current	-86	239	324

Source: J.P. Morgan

US unemployment rate and budget deficit



Source: J.P. Morgan

The question is over the impact of liquidity withdrawal on stocks

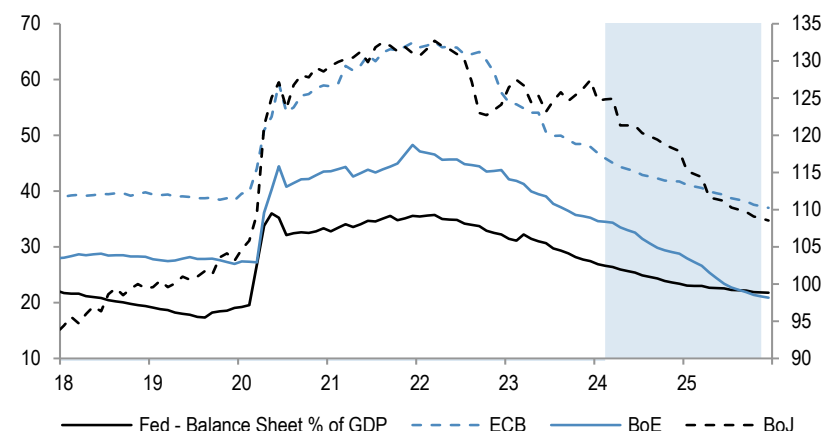
- The aggregate central banks balance sheet is set to contract, in an accelerating manner.

DM central bank balance sheets, 12m diff as of Dec, \$bn

	2018	2019	2020	2021	2022	2023	2024
Fed	-385	115	3161	1431	-258	-848	-930
ECB	244	-32	2473	1695	-639	-1109	-776
BoJ	204	139	860	141	-132	390	-66
BoE	34	-12	388	274	-27	-188	-177
Total	97	210	6882	3541	-1056	-1755	-1949

Source: J.P. Morgan Economics Research

Central Bank Balance sheets as a share of GDP



Source: J.P. Morgan Economics Research

G5 Central Bank Balance sheet and Nominal GDP

	CB Balance Sheet (\$Tn)				Expansion		
	2022	2023e	2024e	2025e	2023e vs 2022	2024e vs 2023	2025e vs 2024e
FED	8.6	7.7	6.7	6.5	-10%	-13%	-3%
ECB	8.7	7.6	6.7	6.1	-13%	-12%	-9%
BoE	1.4	1.2	1.1	0.8	-10%	-15%	-25%
BoJ	5.2	5.2	5.1	5.0	0%	-2%	-3%
PBOC	6.0	6.4	6.4	6.4	7%	0%	0%
G3 Aggregate CB Balance Sheet	22.5	20.5	18.6	17.6	-9%	-10%	-5%
G5 Aggregate CB Balance Sheet	29.9	28.2	26.0	24.8	-6%	-8%	-5%
G3 Nominal GDP Growth					7%	3%	4%
G5 Nominal GDP Growth					7%	4%	4%
G3 Aggregate CB Balance Sheet vs Nominal GDP Growth					-16%	-13%	-9%
G5 Aggregate CB Balance Sheet vs Nominal GDP Growth					-12%	-12%	-9%

Source: J.P. Morgan Economics Research

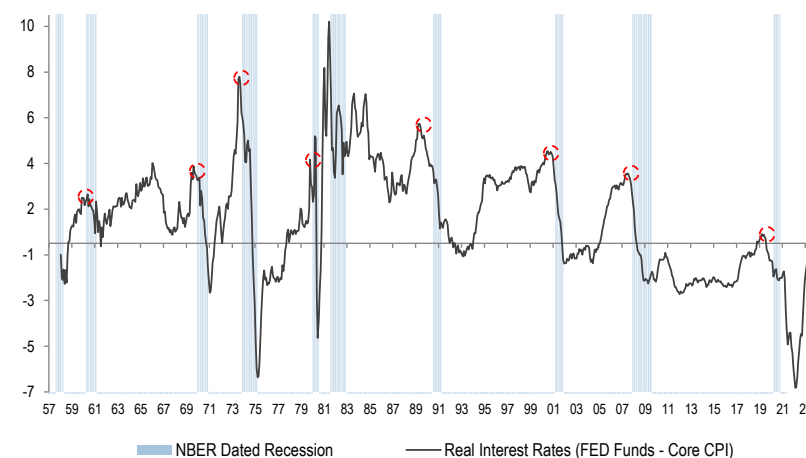
Real rates are near highs, and could stay so as inflation comes down

US real rates



Source: Bloomberg Finance L.P.

US real policy rates and recessions



Source: Bloomberg Finance L.P.

US real rates entering recessions

Recession Start	Real Interest Rate (Fed Funds - Core CPI, %yoy)	
	Level at the start of recession	6m avg before the start of recession
1960	1.9%	1.9%
1969	2.8%	3.0%
1973	5.5%	6.3%
1980	1.8%	2.2%
1990	3.2%	3.4%
2001	2.6%	3.4%
2007	1.8%	2.6%
2020	-0.8%	-0.7%
Average	2.4%	2.8%
Median	2.3%	2.8%
Current	1.5%	1.4%

Source: Bloomberg Finance L.P.

US real rates at the point of curve inversion

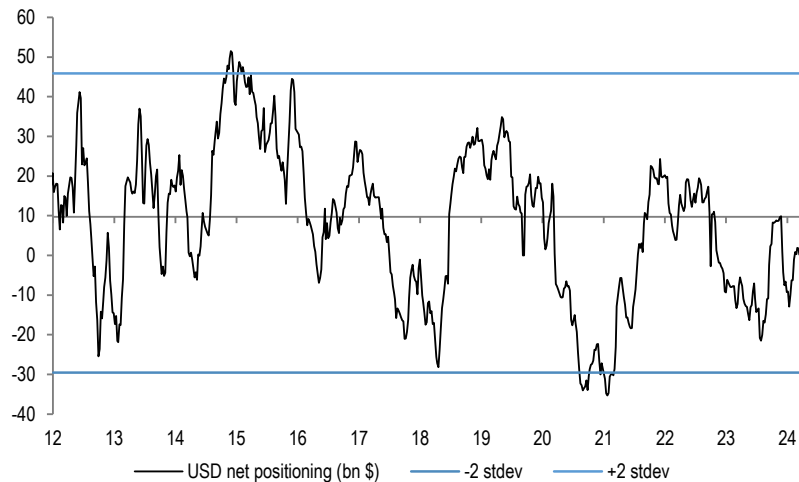
Yield Curve inversion date	Real Interest Rate (Fed Funds - Core CPI, %yoy)	
	Latest reading	6m Avg
Dec-67	0.6%	0.5%
Mar-73	3.8%	2.9%
Aug-78	0.4%	0.5%
Dec-88	4.0%	3.7%
Feb-00	3.5%	3.3%
Jan-06	2.2%	1.8%
Aug-19	0.2%	0.2%
Average	2.1%	1.9%
Median	2.2%	1.8%

Source: Bloomberg Finance L.P.

USD could strengthen again

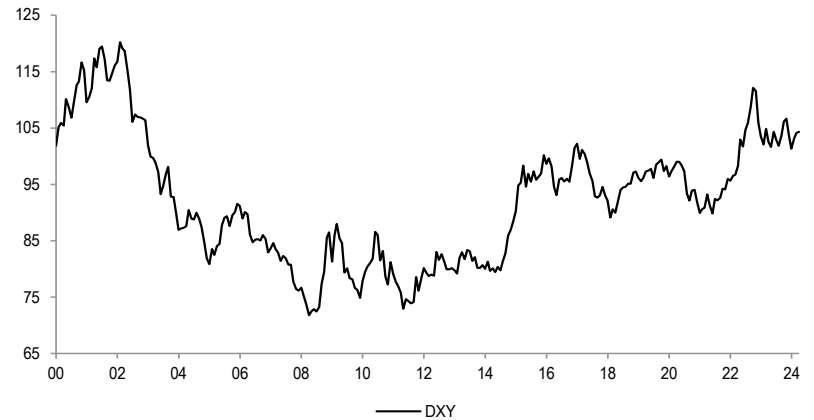
- USD is supported by the still elevated interest rate differential.
- USD positioning is not stretched by any means. We think that the dollar could show a rebound.

USD net positioning



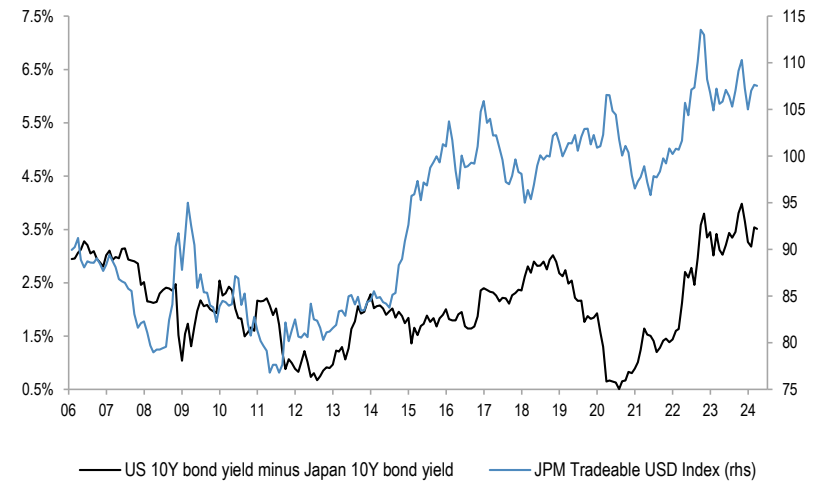
Source: J.P. Morgan

DXY



Source: Bloomberg Finance L.P.

US-Japan 10Y bond yield differential and USD

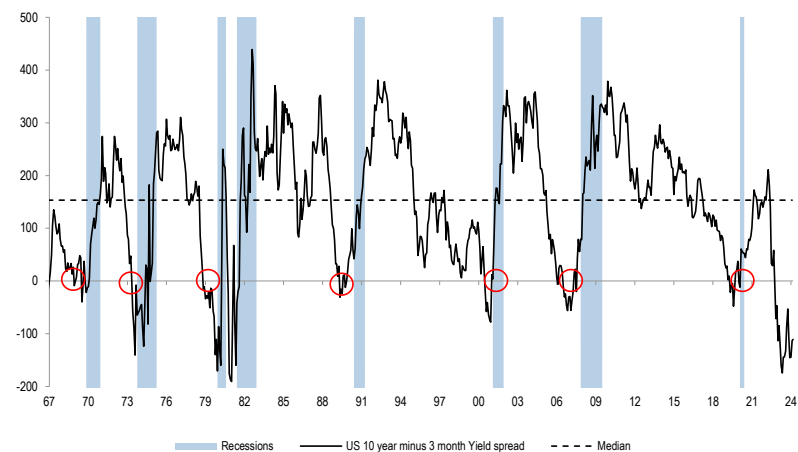


Source: Bloomberg Finance L.P.

Yield curve framework is still sending a recession signal, it was never wrong, lead-lag was 6-24 months... we are now at 18

- The US 10Y/2Y yield curve, which has been a reliable recession indicator in the past, has been inverted for more than a year now. That is typically the length of time it takes from the inversion to the equity market peak.
- US 10Y/3M yield spreads, another reliable recession indicator, is also inverted.

US 10Y-3M yield curve



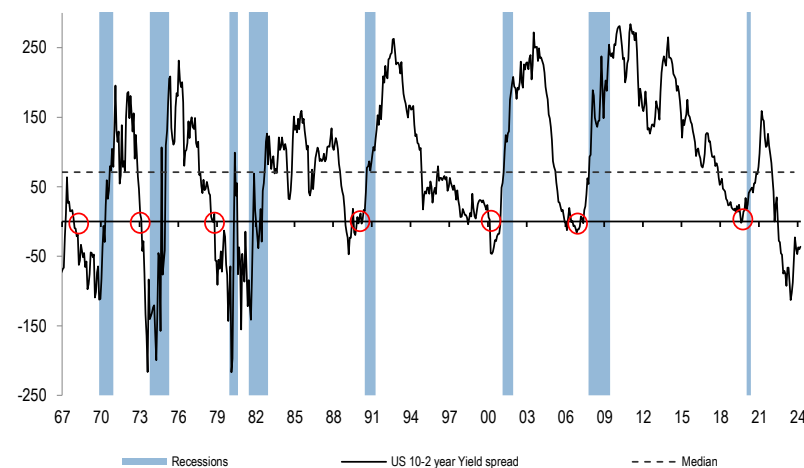
Source: Bloomberg Finance L.P.

SPX move from yield curve inversion to the market peak

Yield Curve inversion date (10-2Y)	# months between			SPX move from YC inversion to SPX peak*
	Yield curve inversion & SPX peak	SPX peak & recession	Yield curve inversion & recession	
Dec-67	11	13	24	14%
Mar-73	-2	10	8	-4%
Aug-78	18	-1	17	13%
Dec-88	19	0	19	34%
Feb-00	2	12	13	8%
Jan-06	20	2	23	22%
Aug-19	6	0	6	18%
Median	11	2	17	14%
Average	11	5	16	15%

Source: Bloomberg Finance L.P.

US 10Y-2Y yield curve



Source: Bloomberg Finance L.P.

3) Most were skeptical about earnings over the last two years, to be now turning more constructive... this could be a mistake...

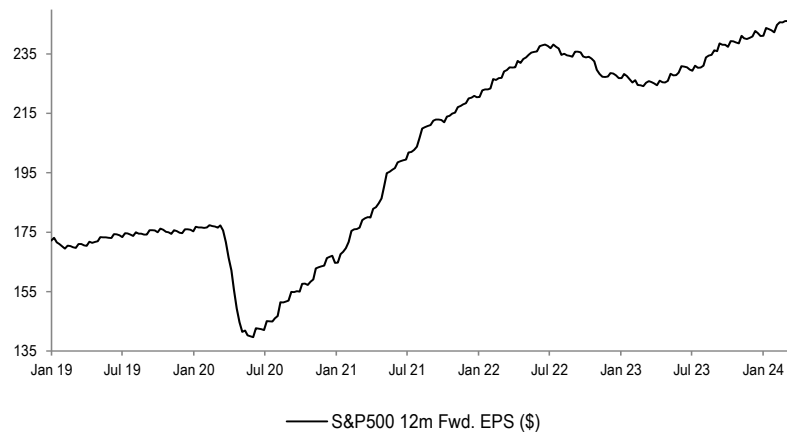
- Earnings have been very resilient over the past 2 years, taking advantage of rising input costs in order to boost pricing power, and drive higher profit margins.
- Consensus expects EPS to have a meaningful move up this year. We believe there are downside risks to these earnings projections.

US and Europe EPS Growth consensus projections

	EPS Growth		
	2024e	2025e	2026e
S&P 500	10.0%	13.7%	11.8%
Stoxx 600	4.1%	10.3%	9.3%

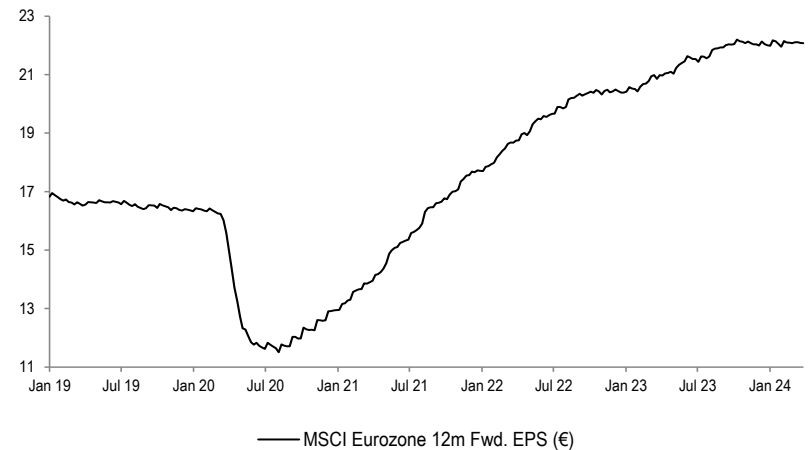
Source: IBES

US 12-month forward EPS



Source: IBES

Eurozone 12-month forward EPS



Source: IBES

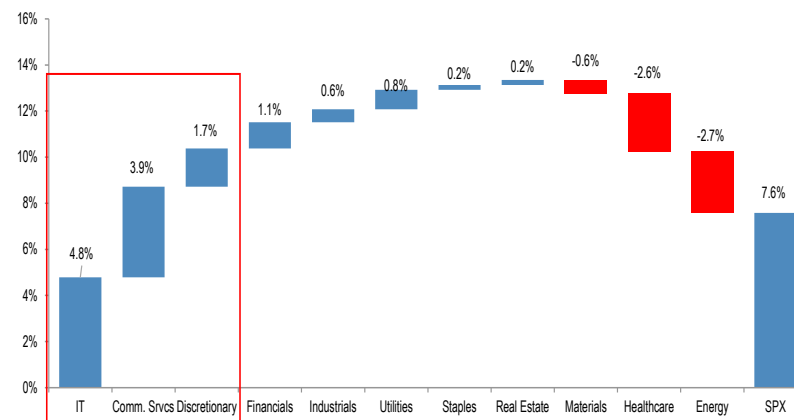
...earnings revisions are staying negative in key regions...ex Magnificent 7, US earnings were down again in Q4, and through last year...

Magnificent 7, SPX and SPX ex Mag 7 earnings growth

	2023 Net income growth
APPLE	-3%
AMAZON.COM	307%
MICROSOFT	13%
NVIDIA	335%
ALPHABET A	22%
TESLA	-29%
META PLATFORMS A	66%
Magnificent 7	27%
S&P ex Magnificent 7	-4%
S&P500	1%

Source: Datastream

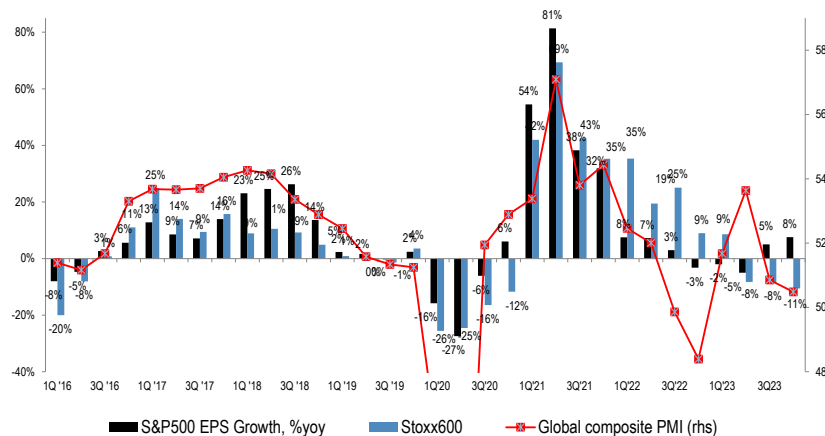
US 4Q '23 earnings growth sector breakdown



Sector contribution to S&P500 4Q'23 earnings growth

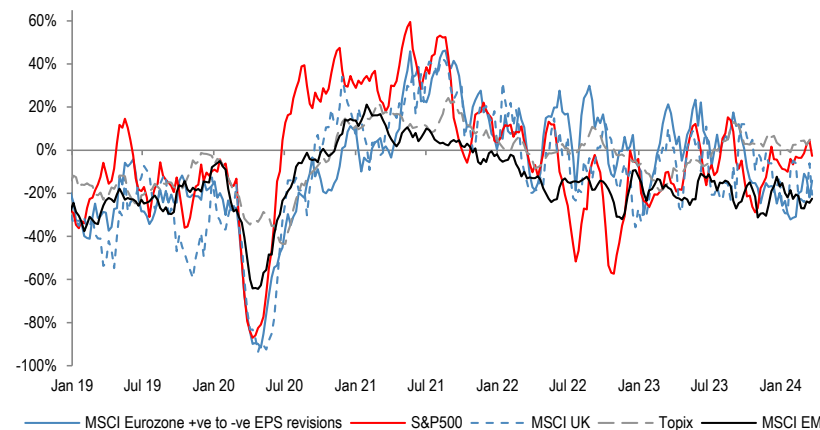
Source: Bloomberg

US and European quarterly EPS growth and global composite PMI



Source: J.P. Morgan, Bloomberg Finance L.P.

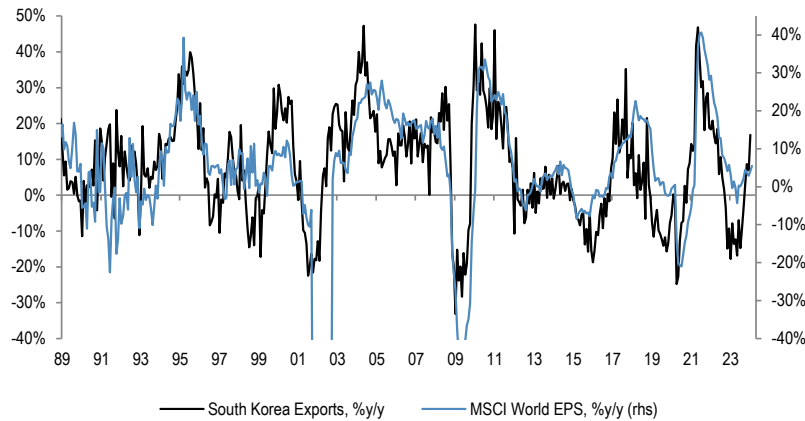
Weekly EPS revisions in different regions



Source: IBES

...beyond weaker pricing, operating leverage is likely to be softer, too... EPS revisions need PMIs to sustain above 54 in order to be positive

Korean exports vs global earnings



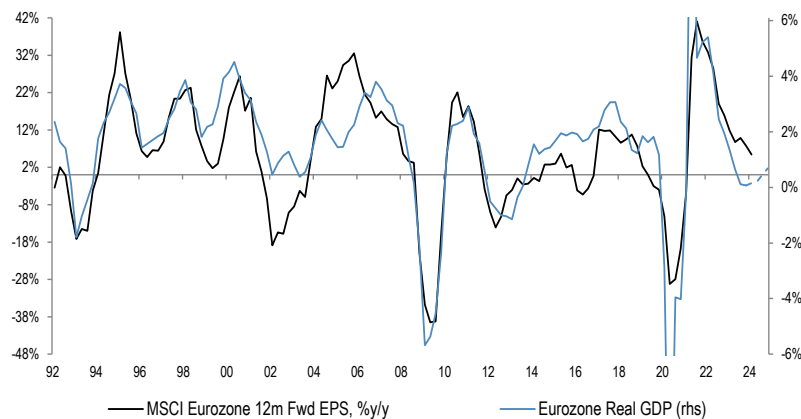
Source: IBES, KOSTAT

Profit margins and EPS growth vs GDP growth regimes

US Real GDP, % y/y	Profit Margins, yoy, bps	S&P 500 EPS %yoy
<-3%	-51	-79%
-3% to -2%	-96	-26%
-2% to -1%	-68	-3%
-1% to 0%	11	-3%
0% to 1%	-29	-13%
1% to 2%	-42	-1%
2% to 3%	17	9%
3% to 4%	59	16%
4% to 5%	24	15%
>5%	85	24%

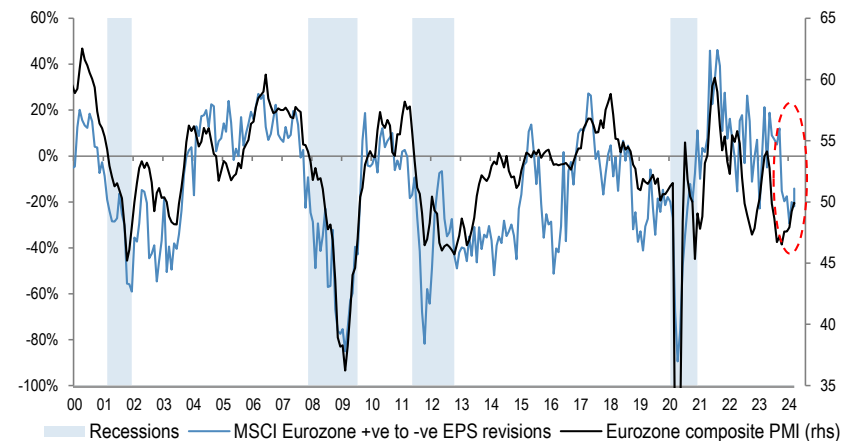
Source: Bloomberg Finance L.P.

Eurozone EPS growth vs GDP growth



Source: IBES, J.P. Morgan

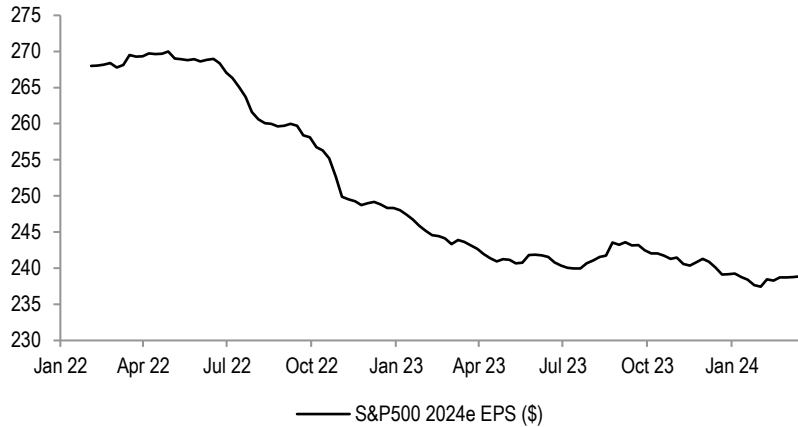
Eurozone EPS revisions and composite PMI



Source: Bloomberg Finance L.P. , S&P Global

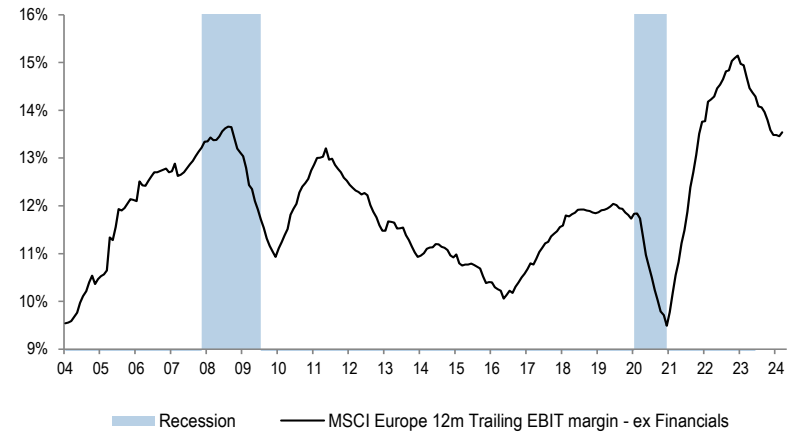
Profit margins are at risk...

S&P500 2024e EPS (\$)



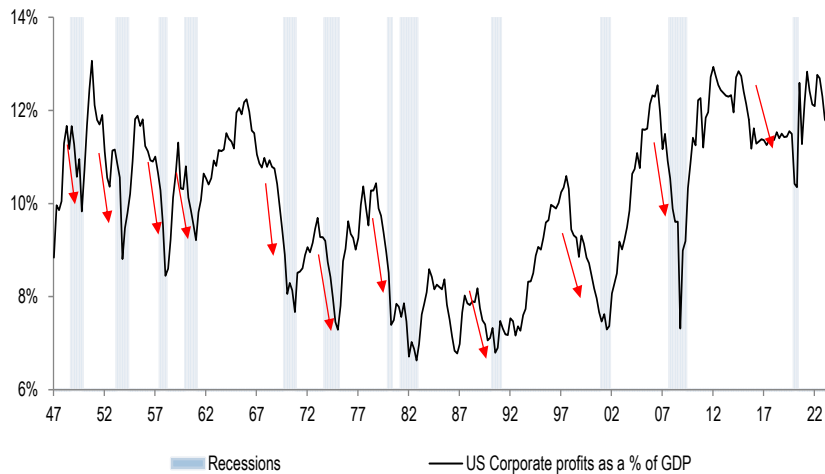
Source: IBES

MSCI Europe 12m Trailing EBIT margin



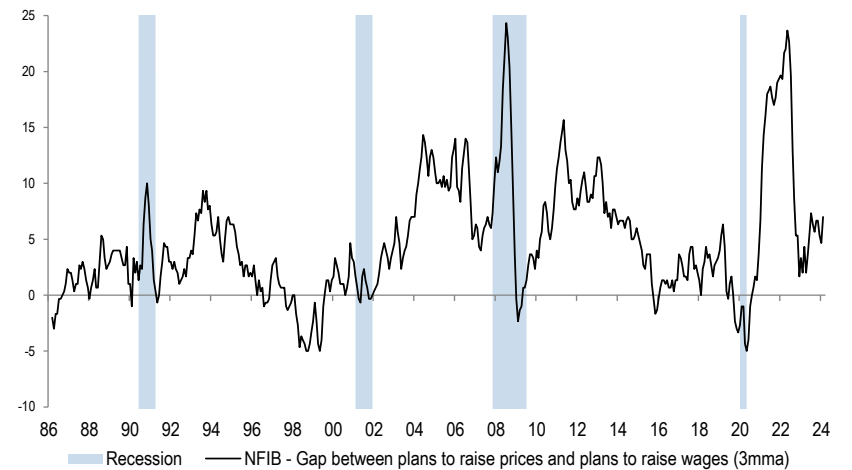
Source: S&P Global

US corporate profit margins



Source: BEA

NFIB survey - Plans to increase prices minus plans to increase wages



Source: Bloomberg Finance L.P.

...rising PPIs more than CPIs were not usually a concern for margins, but the opposite is

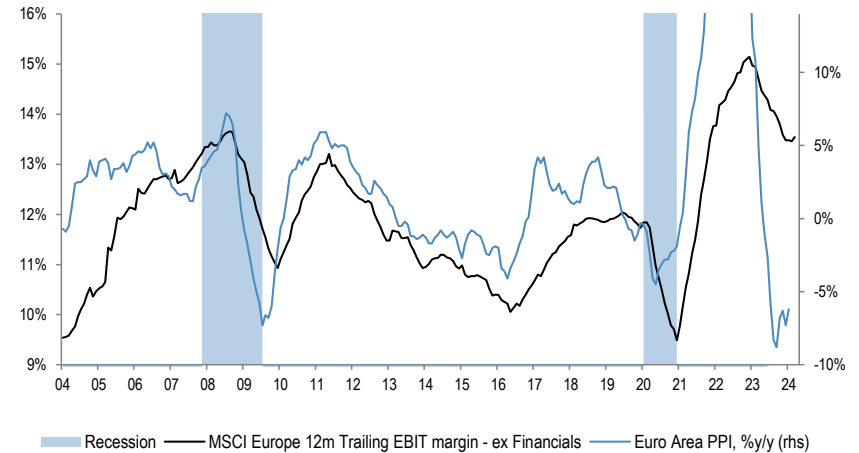
US profit margins in different PPI and CPI regimes

US Corporate profits as a % of GDP, vs 4q ago (since 1990)

	PPIs up more than CPI	PPIs up less than CPI	PPIs down
Average	0.2%	0.3%	-0.3%
Median	0.4%	0.3%	-0.3%

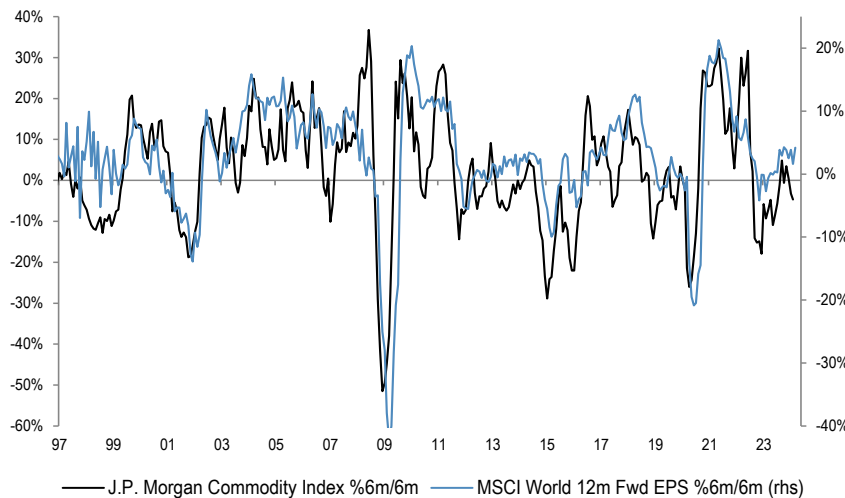
Source: BEA, Bloomberg Finance L.P., J.P. Morgan

Europe profit margins vs PPI



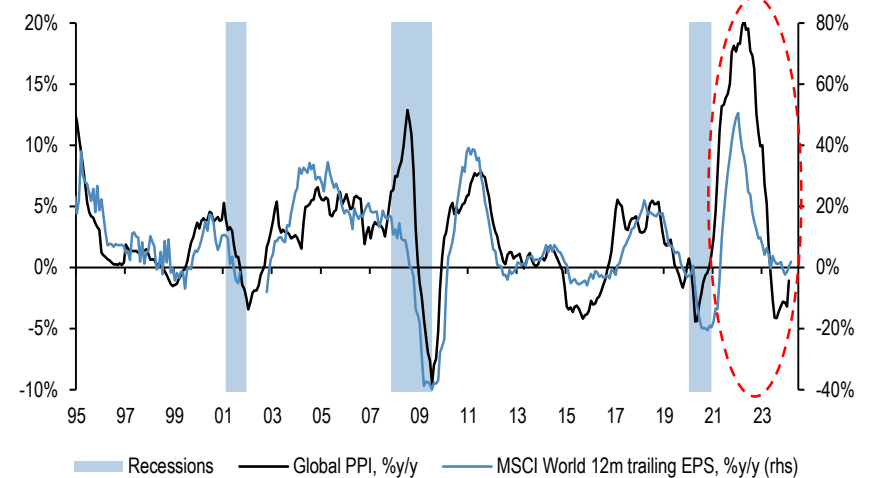
Source: IBES, J.P. Morgan

MSCI World EPS growth and commodity prices



Source: IBES, J.P. Morgan

MSCI World EPS vs global PPI

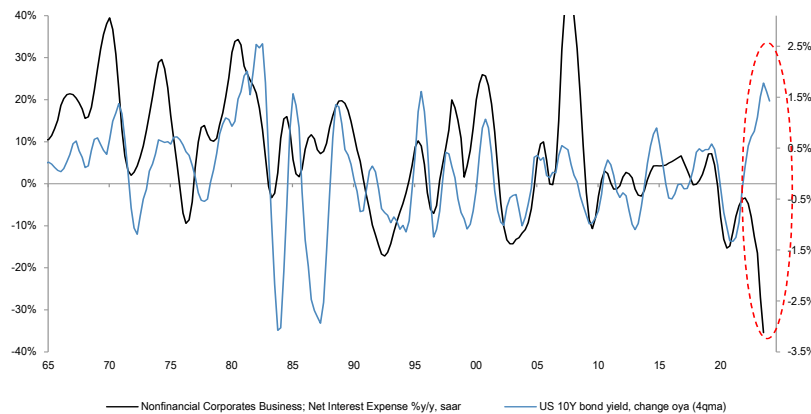


Source: IBES, Bloomberg Finance L.P.

Net interest expense is also likely to be significantly higher going forward

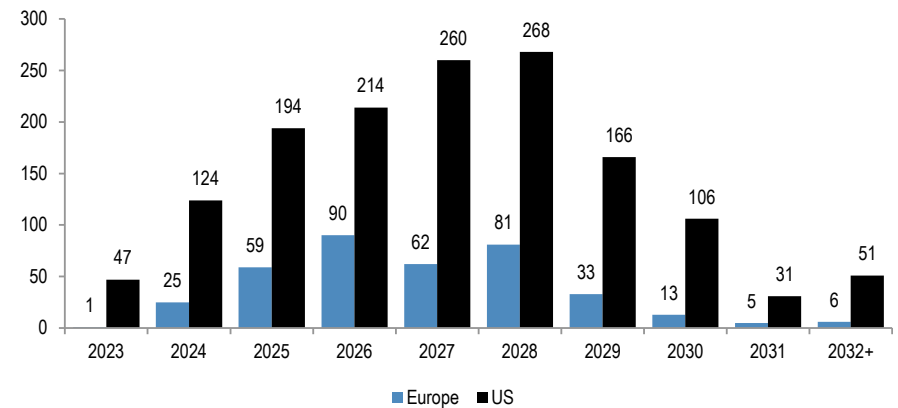
- Many corporates benefitted from the unique feature of this cycle: as interest rates increased 300bp+, the net interest expense came down. That could be explained by companies locking in low cost of financing through extending the duration of their debt, and also through many corporates seeing an improving return on their cash balances.
- Companies will have to roll their debt into higher cost of credit.

Non financial corporates business: Net interest expense Versus US 10Y bond yield



Source: Bloomberg Finance L.P., FRED

European and US High yield bonds maturity profile



Source: J.P. Morgan Credit Strategy

US earnings typically fell 15%+ in a recession, they are at record highs...

- US earnings have recovered strongly from the COVID lows. At present, they are well above trend and may not sustain.

US 12m Fwd. EPS during past recessions

MSCI US 12m Fwd. EPS			
Recession year	Peak date	Trough date	Peak to trough move
1990	Jan-91	May-91	-14%
2001	Aug-00	Nov-01	-23%
2008	Oct-08	Apr-09	-40%
2020	Mar-20	Sep-20	-15%
Average			-23%
Median			-19%

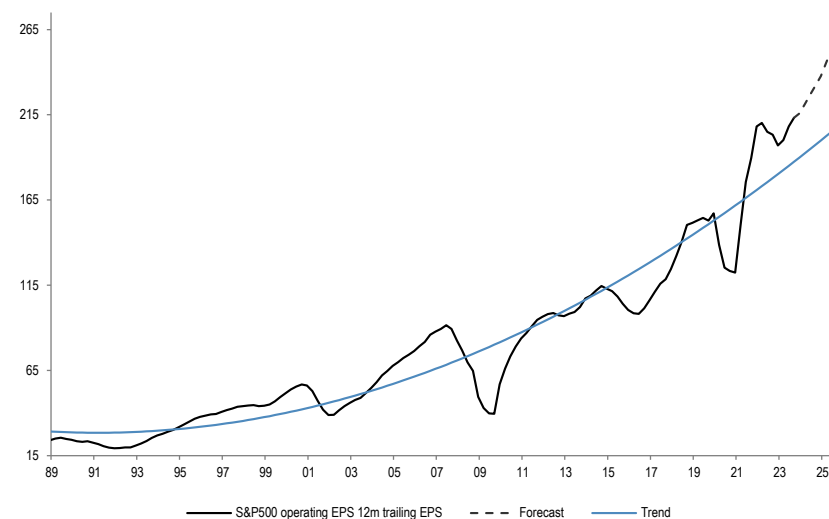
Source: IBES

Key regions EPS levels 2024 vs 2019

	EPS levels		
	2024e	2019	2024e vs 2019
MSCI World	43.0	30.6	41%
S&P 500	238.2	157.2	52%
MSCI Europe	148.7	112.8	32%
MSCI Eurozone	21.5	13.8	56%
FTSE 100	689.3	515.1	34%

Source: IBES

S&P500 EPS vs trend

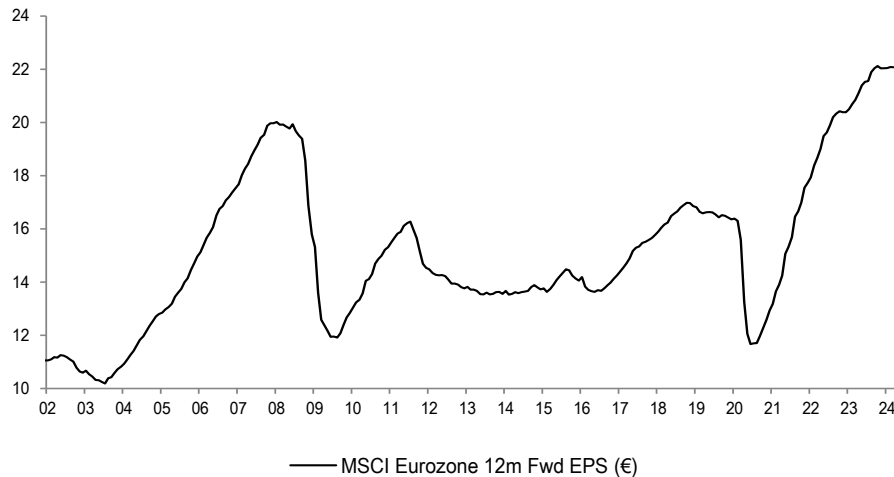


Source: IBES, NBER, Thomson Reuters. *Trailing EPS

...Eurozone earnings have been held back by domestic sectors

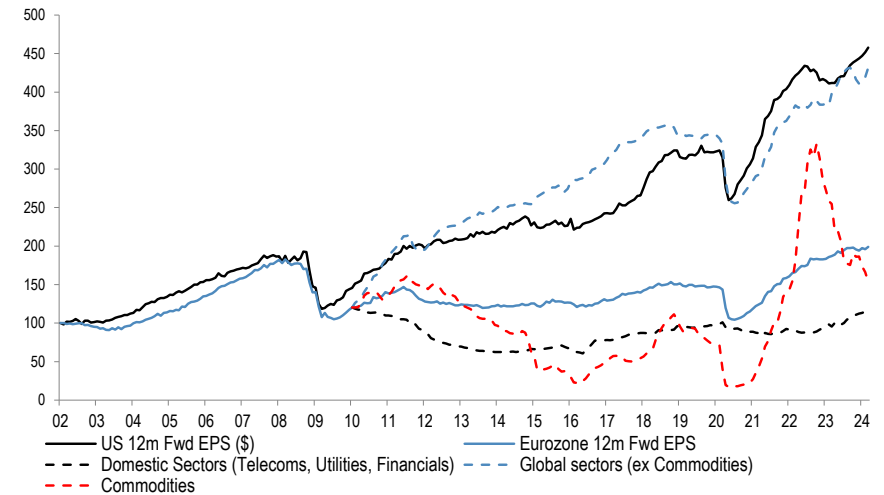
- Within Eurozone, it is the earnings base of domestic plays that has weighed on the overall regions' earnings.

MSCI Eurozone 12m Fwd EPS



Source: IBES

US earnings vs Eurozone earnings, broken down by domestic, global and commodity sectors



Source: IBES. *Global includes all sectors except Utilities, Telecoms, Financials and commodity sectors

The earnings downside in past recessions was material

- Earnings declines in past recessions were very significant. This might not be the case this time around if the topline keeps growing, despite real GDP falls. Further, interest rates are still likely to be significantly below nominal growth, and below inflation rates, in contrast to the 1970-ies experience. Still, there is likely to be a certain level of earnings weakness.

Changes in Eurozone equities, earnings and GDP during past recessions

Recession	Peak in MSCI Eurozone	Trough In MSCI Eurozone	MSCI Eurozone peak to trough move	12m Fwd P/E at MSCI Eurozone trough	12m Fwd P/E at trough - Eurozone vs US	Peak in MSCI Eurozone Fwd. EPS	Trough In MSCI Eurozone Fwd. EPS	MSCI Eurozone Fwd. EPS peak to trough move	Peak to Trough - MSCI Eurozone actual EPS	MSCI Eurozone actual EPS peak to trough move	Peak in Euro Area real GDP	Trough in Euro Area real GDP	Euro Area real GDP peak to trough move
1990	Jul-90	Jan-91	-29%	9.7	0.87	Feb-92	May-93	-27%	'89 - '93	-55%	Q1 '92	Q1' 93	-1.8%
2001	Mar-00	Mar-03	-64%	11.1	0.76	Oct-01	May-03	-21%	'00 - '02	-31%	Q4 '02	Q1' 03	-0.3%
2008	Jun-07	Mar-09	-62%	7.5	0.72	Mar-08	May-09	-42%	'06 - '09	-43%	Q1 '08	Q2 '09	-5.7%
2012	Feb-11	Sep-11	-32%	7.4	0.72	Jun-11	May-13	-20%	'10 - '13	-29%	Q3 '11	Q1' 13	-1.8%
2020	Feb-20	Mar-20	-38%	9.6	0.73	Mar-20	Jul-20	-30%	'19 - '20	-35%	Q4 '19	Q2 '20	-14.7%
Average			-45%	9.0	0.76			-28%		-39%			-4.9%

Source: Bloomberg Finance L.P., S&P Global

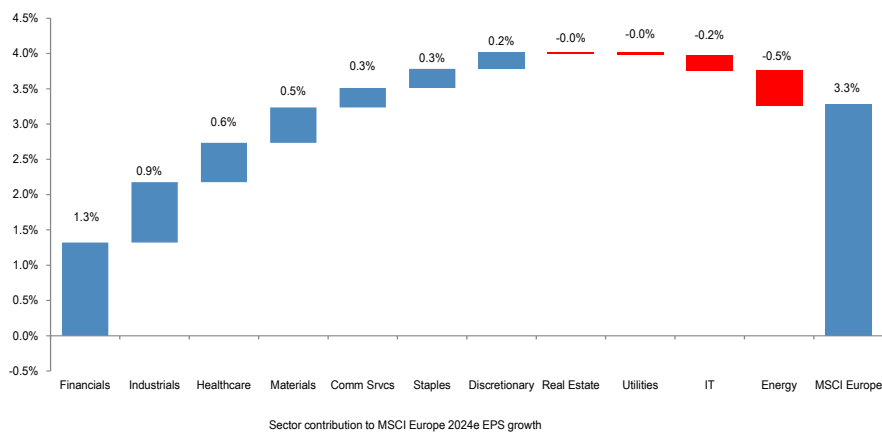
Sector earnings contribution breakdown

Regional and sectoral EPS growth projections for 2024 and 2025

	MSCI World		US		Europe		Eurozone		UK		Japan*		EM	
	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e
Market	7.7%	12.3%	9.8%	14.0%	3.3%	10.2%	2.5%	10.1%	1.5%	7.9%	13.5%	8.4%	15.7%	11.5%
Energy	-8.4%	9.4%	-12.0%	11.9%	-4.7%	4.1%	-10.5%	1.6%	0.8%	6.4%	1.7%	-1.2%	2.2%	1.9%
Materials	3.2%	10.9%	-2.2%	15.8%	8.5%	11.2%	14.6%	19.3%	2.6%	2.6%	-13.3%	14.3%	24.1%	10.3%
Industrials	8.0%	12.4%	9.0%	13.5%	7.5%	13.6%	15.6%	13.1%	7.8%	12.7%	-13.3%	4.1%	15.9%	13.0%
Discretionary	8.9%	13.1%	13.2%	16.5%	2.0%	10.7%	1.3%	9.4%	0.4%	17.5%	50.9%	7.6%	19.3%	16.4%
Staples	4.2%	8.9%	3.9%	8.6%	2.8%	8.8%	3.9%	10.7%	2.0%	7.2%	-0.4%	16.9%	15.9%	11.3%
Healthcare	12.3%	13.4%	15.0%	12.9%	4.6%	14.3%	-2.2%	15.6%	7.8%	13.0%	-1.8%	13.2%	26.5%	26.2%
Financials	6.0%	9.9%	7.5%	12.0%	5.1%	7.9%	4.9%	6.8%	-2.5%	6.8%	35.7%	8.5%	8.7%	9.5%
IT	15.4%	19.2%	16.7%	18.7%	-5.2%	29.1%	-6.8%	31.4%	10.6%	11.1%	-6.6%	19.7%	30.6%	11.0%
Telecoms	17.5%	13.7%	18.5%	13.9%	9.8%	10.8%	10.9%	11.4%	6.8%	10.0%	55.8%	20.2%	15.8%	14.1%
Utilities	5.5%	5.1%	12.4%	7.8%	-0.7%	1.0%	-7.1%	-0.9%	-2.5%	5.0%	384.9%	-23.6%	10.8%	13.3%
Real Estate	-0.4%	8.7%	-1.9%	10.7%	2.6%	3.8%	3.9%	1.4%	4.2%	4.6%	1.7%	5.9%	17.4%	24.9%
Median	6.5%	10.8%	6.8%	11.6%	5.0%	10.6%	5.3%	10.2%	4.7%	9.3%	7.6%	8.5%	17.3%	16.7%
Median ex-commo	6.8%	10.7%	7.0%	11.5%	5.2%	10.4%	5.4%	10.2%	4.7%	9.2%	8.3%	8.4%	16.9%	16.2%
Median - Cyclicals	7.2%	12.4%	7.2%	12.6%	5.7%	12.0%	6.3%	12.5%	5.4%	10.2%	6.1%	10.1%	23.4%	22.2%
Median - Defensives	6.1%	9.8%	7.0%	9.0%	5.0%	10.8%	5.3%	10.8%	4.5%	8.3%	15.6%	8.5%	17.7%	15.8%

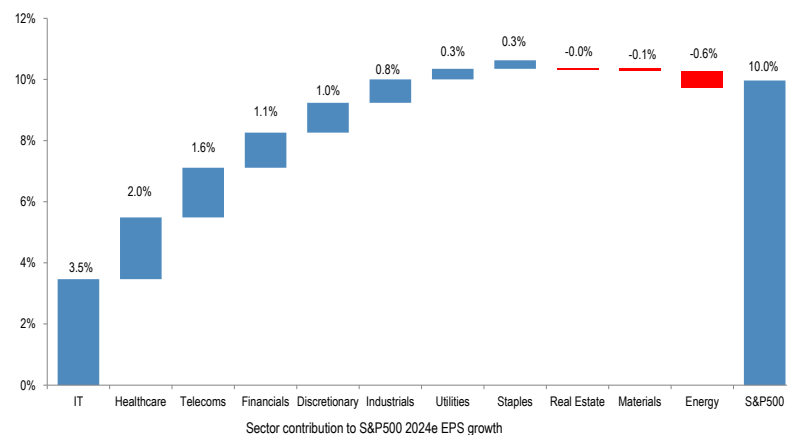
Source: IBES, *Japan refers to fiscal year ending March 2024, 2025

Sector contribution to MSCI Europe 2024e EPS growth



Source: IBES.

Sector contribution to S&P500 2024e EPS growth

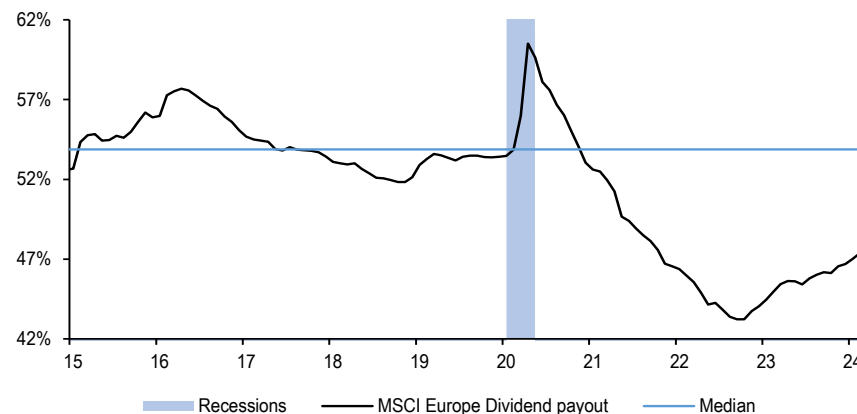


Source: IBES.

Buybacks activity has been robust... dividend payout ratios are low, supportive of higher dividends

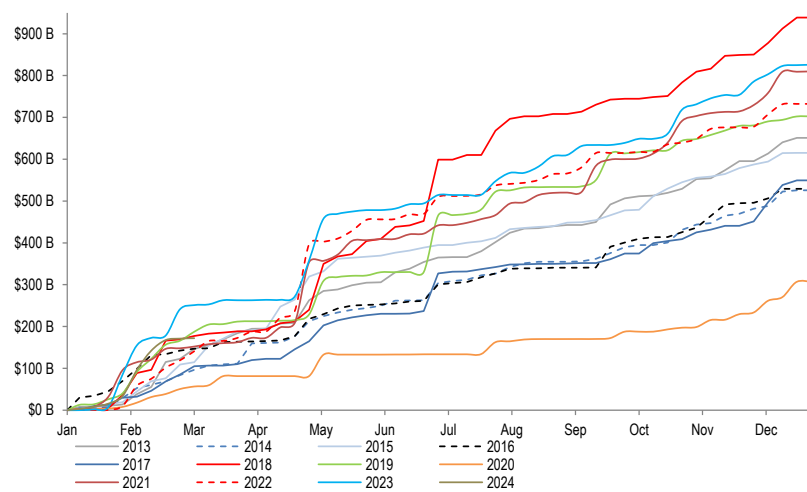
- We have seen very strong momentum in buyback announcements last year.
- Buybacks as a share of profits are still low.
- Dividend payout ratios are low, too.

MSCI Europe dividend payout ratio



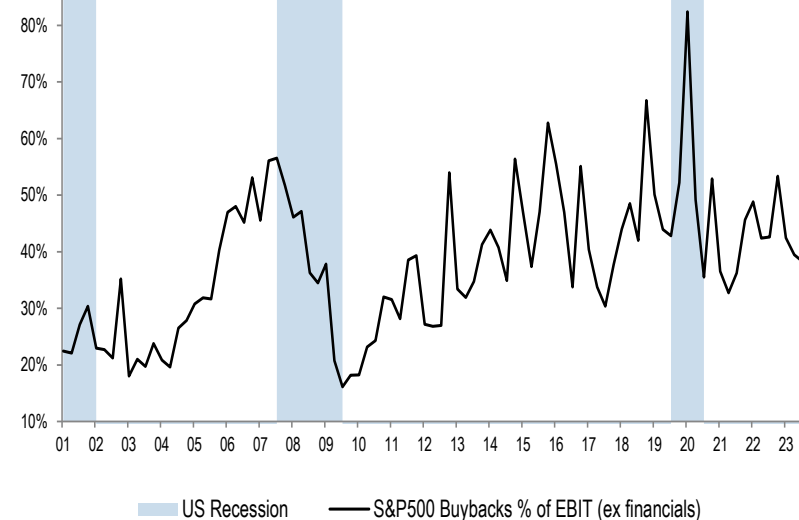
Source: IBES

S&P500 announced buybacks



Source: Bloomberg Finance L.P., J.P. Morgan

S&P500 buybacks as a % of EBIT



Source: Bloomberg Finance L.P.

4) Equity P/E multiples are generally not stretched outside the US, but the US is at risk... SPX at 21x P/E is far from pricing in any risks...

12m Fwd. P/E across key geographies

	Current	20Y Median	Current vs Median
US	21.2	15.8	34%
World	18.8	15.0	25%
Switzerland	18.0	15.1	19%
France	14.7	12.8	14%
Japan	16.0	14.2	12%
EM	12.1	11.3	7%
Eurozone	13.5	12.8	6%
Germany	12.3	12.4	-1%
UK	11.4	12.4	-8%
Spain	10.7	11.9	-10%
Italy	9.3	11.9	-22%

Source: IBES

Fall in MSCI US P/E during past recessions

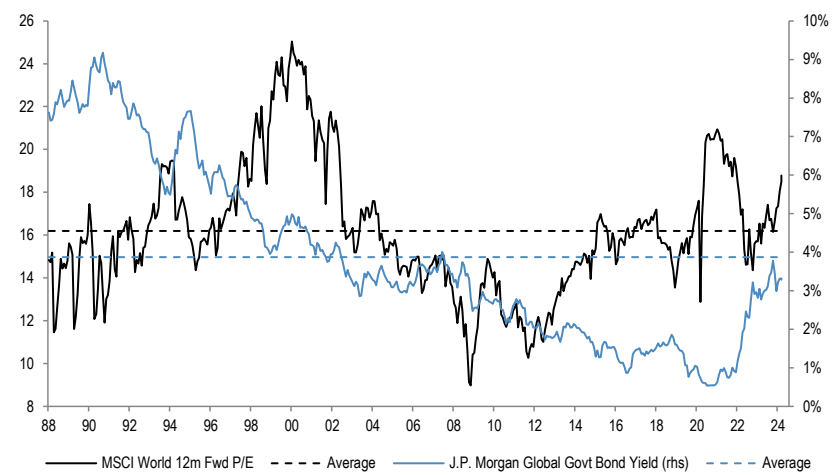
Recession	Market Peak	Market Trough	MSCI US peak to trough move	12m Fwd P/E at MSCI US peak	12m Fwd P/E at MSCI US trough	Move in MSCI US 12m Fwd P/E from peak to trough
1990	Jul-90	Oct-90	-20%	12.8	10.4	-19%
2001	Mar-00	Oct-02	-51%	25.7	13.8	-46%
2008	Oct-07	Mar-09	-56%	15.4	10.4	-32%
2020	Feb-20	Mar-20	-34%	19.6	13.2	-33%
Average			-40%			-33%

Source: IBES

...DY-BY gap no longer appears attractive, with the exception of Japan

- DY-BY gaps have closed, and reversed, as yields moved higher.
- US P/Es are high considering the rising levels of real bond yields.

Global bond yields and MSCI World 12m Fwd P/E



Source: Datastream, IBES

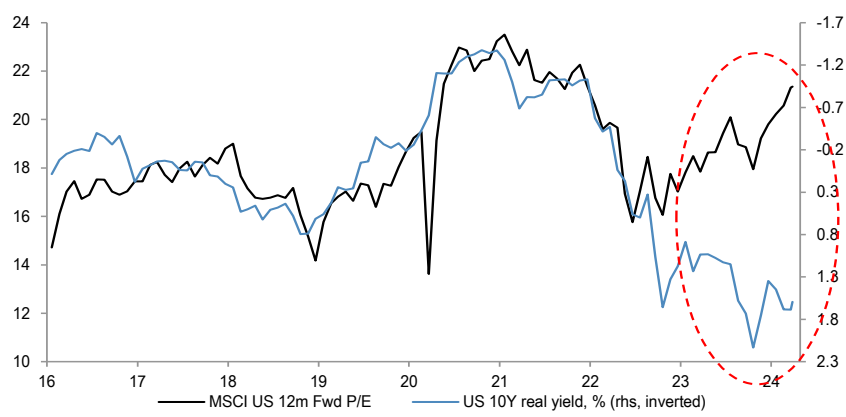
DM yield gap in the historical context

	Dividend yield	10Y Bond yield	Dividend yield minus bond yield	Average since '00	Current vs Average (bp)
US	1.4%	4.2%	-2.9%	-1.4%	-149
Japan	1.9%	0.7%	1.2%	0.9%	27
Eurozone	3.0%	2.9%	0.1%	0.4%	-34
UK	3.9%	4.0%	-0.1%	0.6%	-68

*Current as of 27th Feb'24

Source: Datastream

US 12m Fwd. P/E vs US real yield

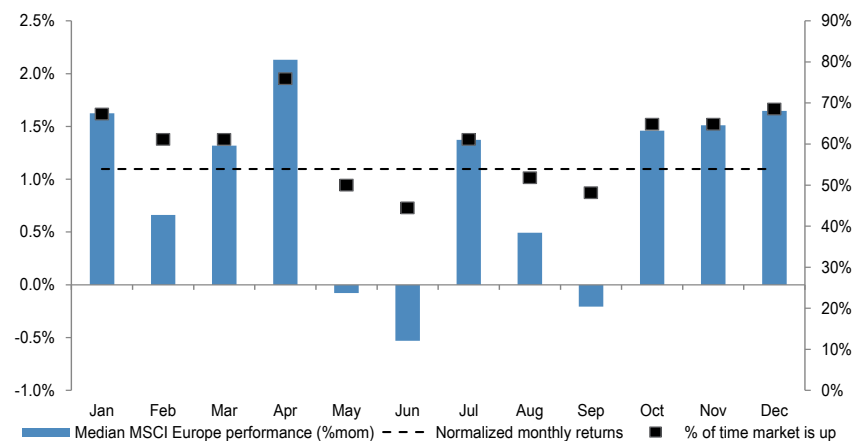


Source: Datastream

5) Sentiment and positioning are stretched, especially post the recent rally...

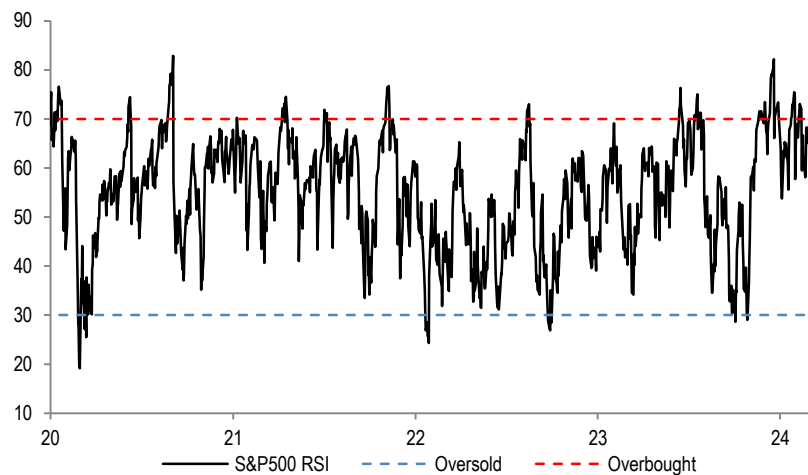
- The recent rally in equities has led to overbought conditions.
- On the positive side, seasonality is typically still supportive in April.

Seasonality* of MSCI Europe performance



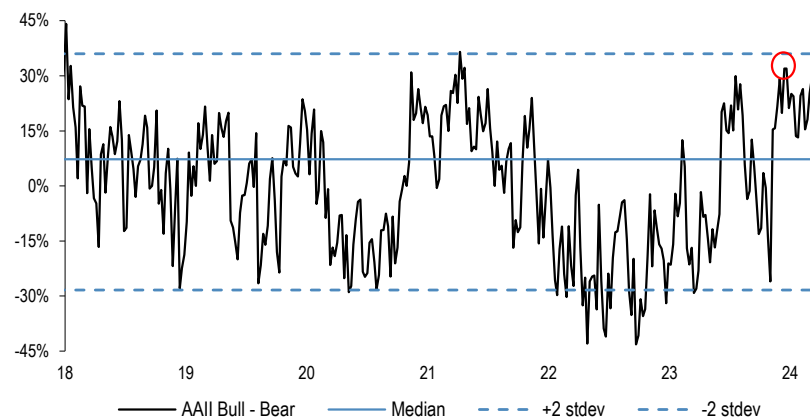
Source: Datastream, *Median since 1970

S&P500 RSI



Source: Bloomberg Finance L.P.

AAll Bull - Bear

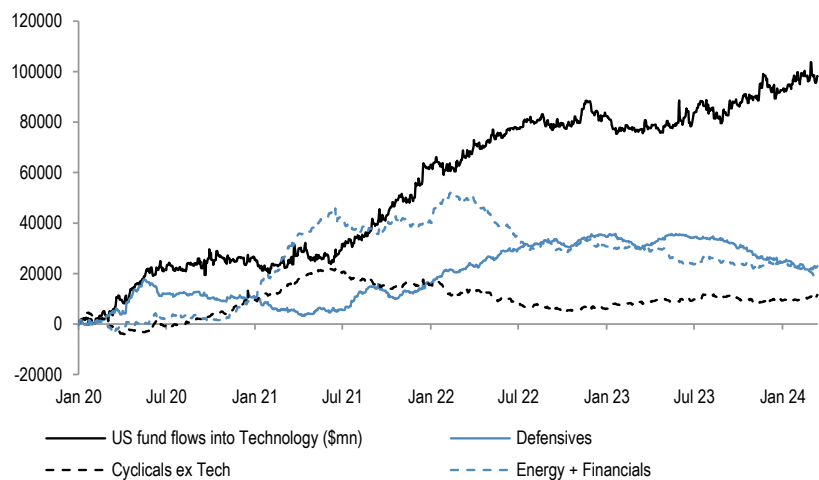


Source: Bloomberg Finance L.P.

...buying of protection by investors is minimal

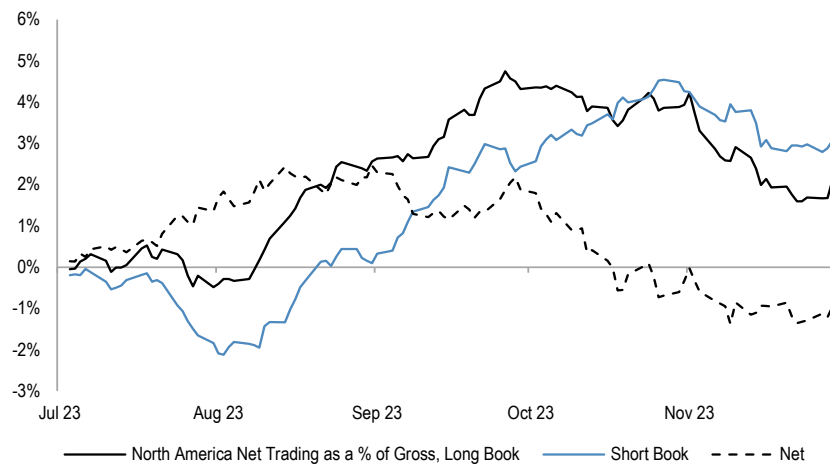
- Full list of technical indicators is in the last section of the chartbook.

Flows into US sectors



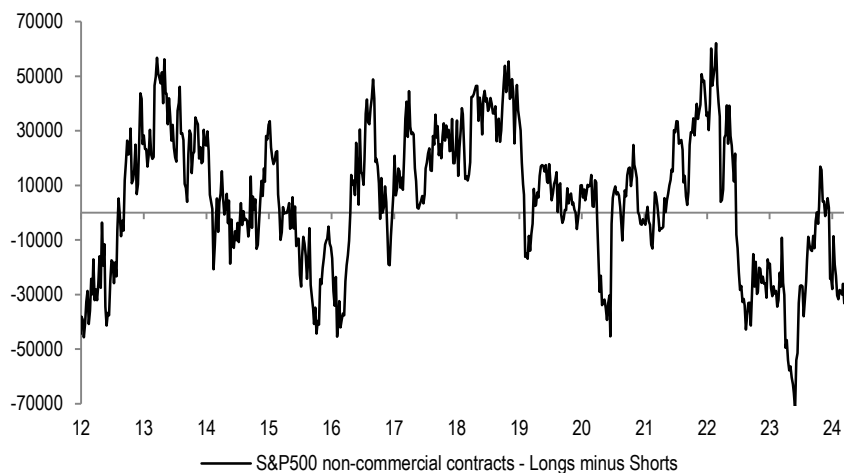
Source: Bloomberg Finance L.P.

N. America net trading, % Gross



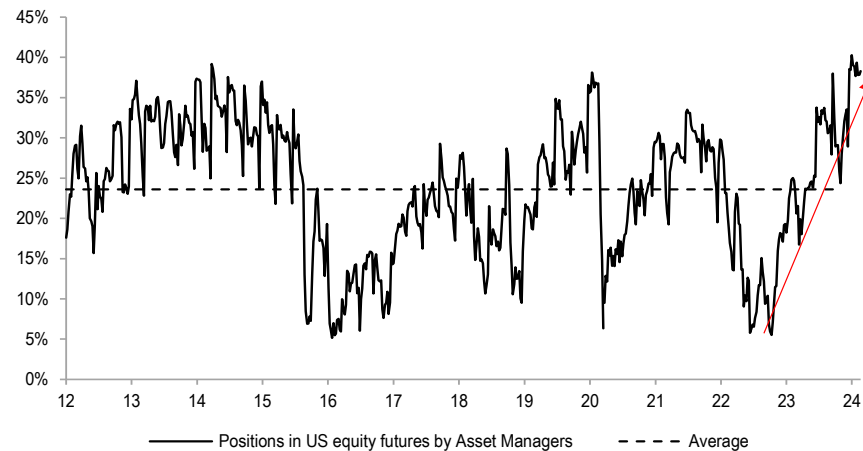
Source: JPMorgan Positioning Intelligence.

Speculative positions on S&P500 futures contracts



Source: Bloomberg Finance L.P.

Positions in US Equity futures by Asset Managers

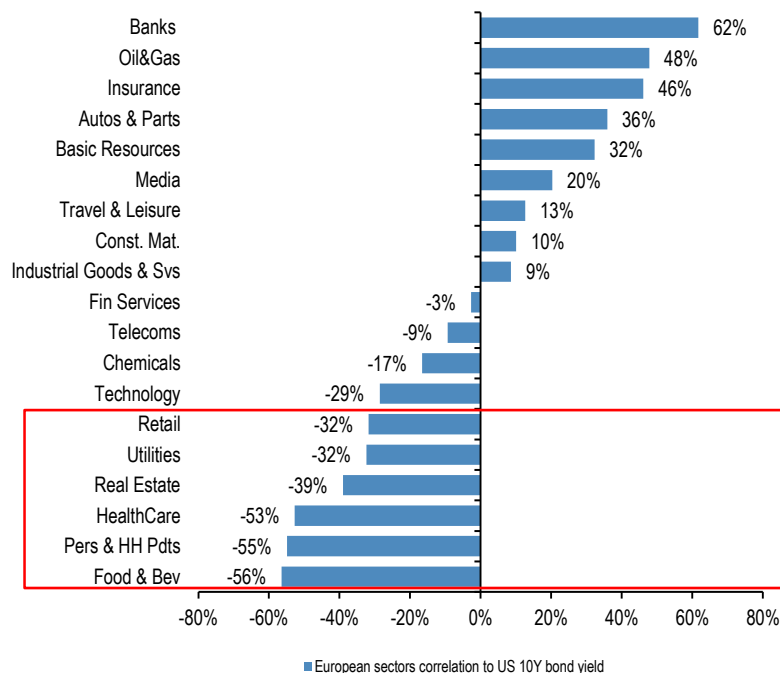


Source: J.P. Morgan. Flows and Liquidity Team

Key drivers of sector performance: 1) Bond yields... Cyclical and Financials typically show positive correlation to yields

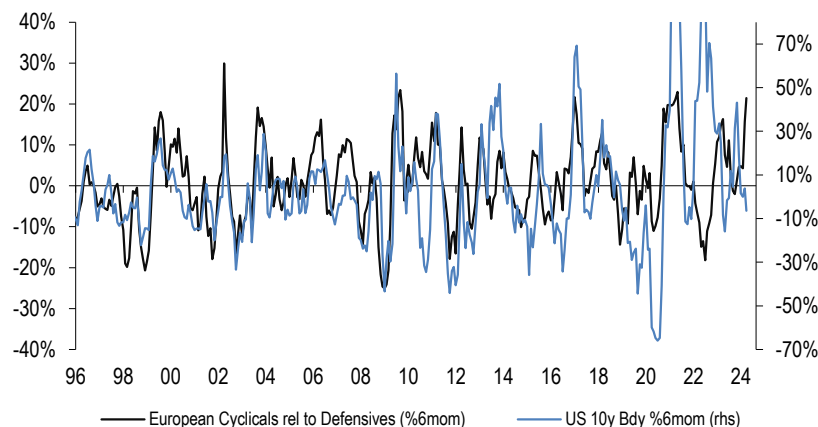
- Cyclical and Banks show the highest correlation to bond yields, out of any sector. We believe that these sectors will likely struggle if yields move lower in the coming months.

European sectors correlation to bond yields



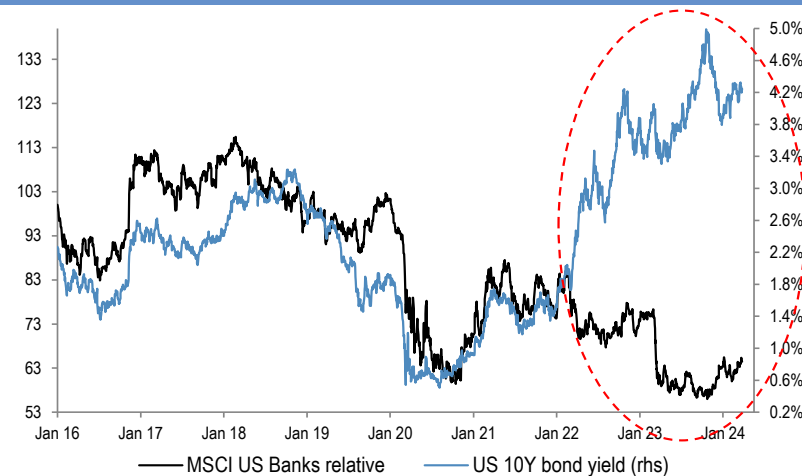
Source: Bloomberg Finance L.P.

European Cyclical versus Defensives and bond yields



Source: Datastream

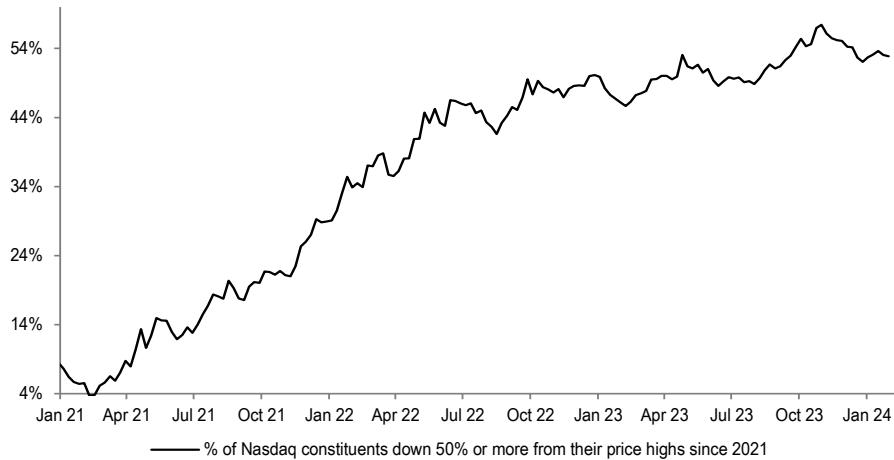
US Banks relative vs US 10-year yield



Source: Datastream

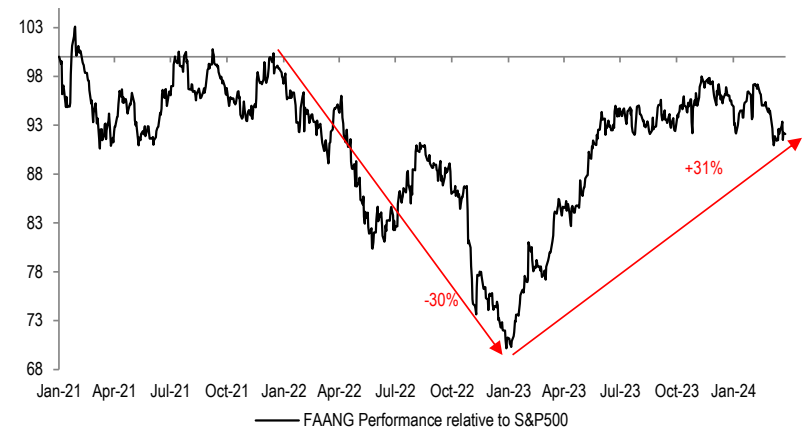
We called in October '22 for the quality Growth part of the market to recover...

% of Nasdaq constituents down 50% or more from price highs



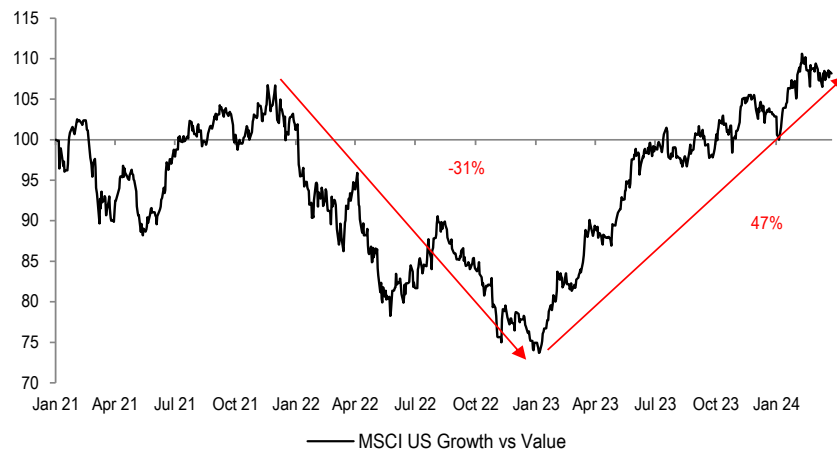
Source: Datastream

FAANG price relative



Source: Bloomberg Finance L.P.

MSCI US Growth vs Value



Source: Bloomberg Finance L.P.

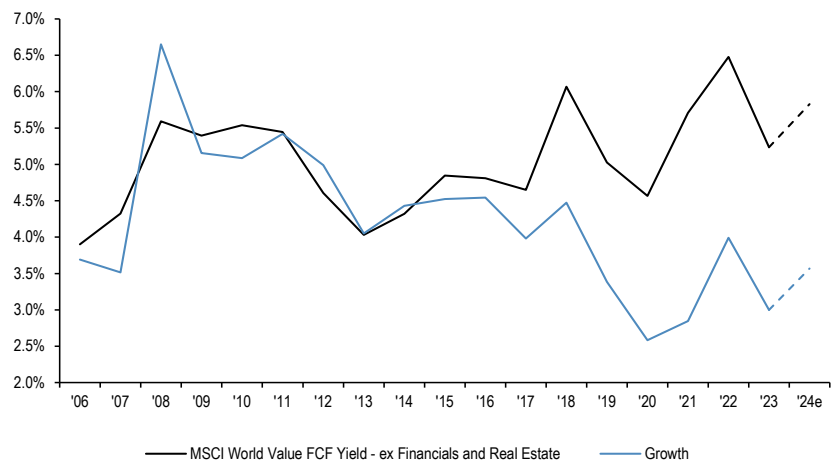
Global Fintech Index relative



Source: Bloomberg Finance L.P.

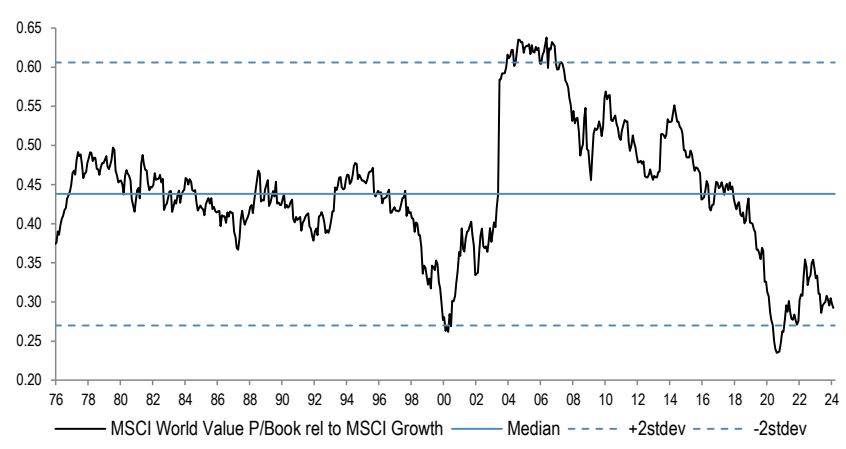
...we are still with Quality Growth tilts, but note that Value screens cheap

MSCI World Value and Growth FCF yield



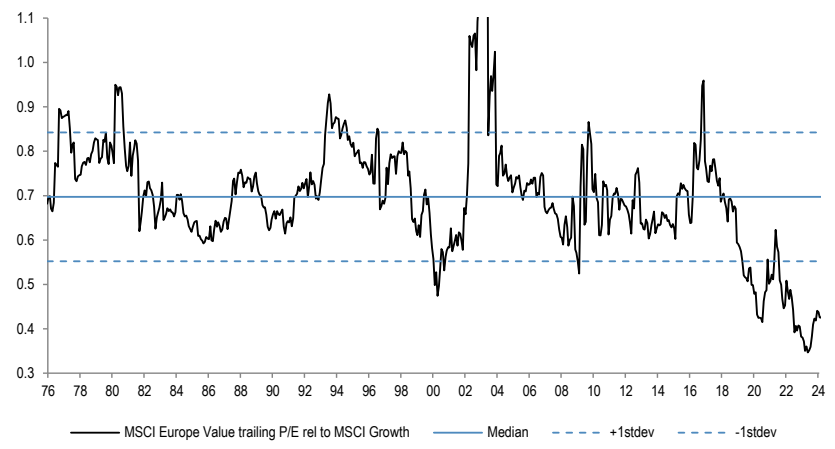
Source: Datastream

MSCI World Value vs Growth P/Book



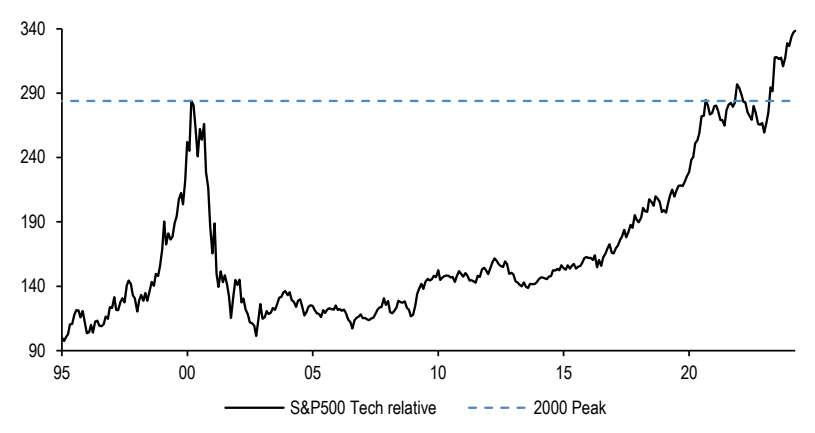
Source: Datastream

MSCI Europe Value vs Growth P/E



Source: Datastream

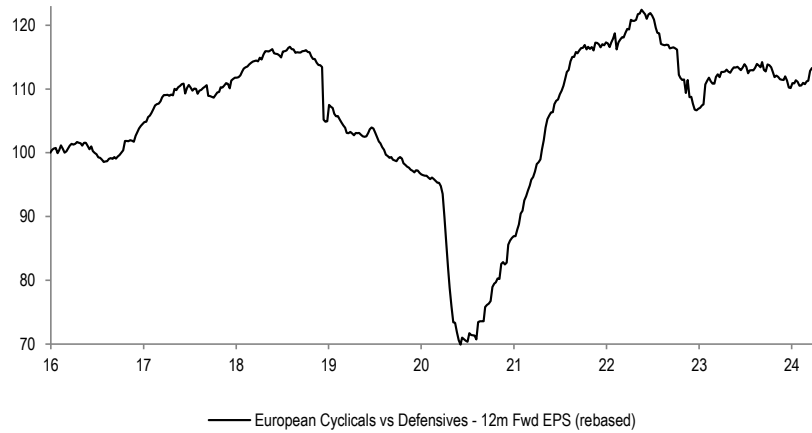
S&P500 Tech relative



Source: Datastream

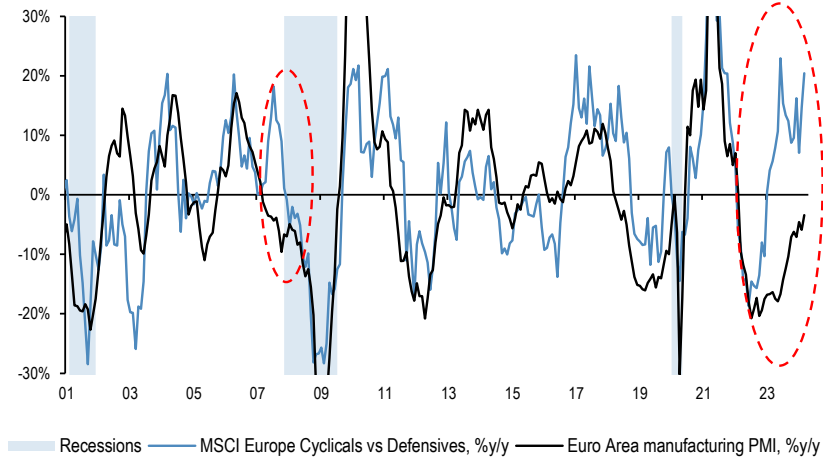
The earnings of Cyclical are likely to move lower

European Cyclical vs Defensives forward EPS relative



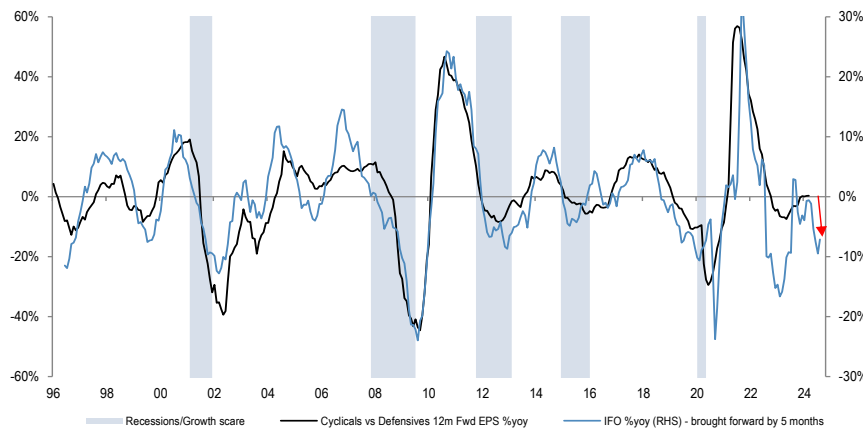
Source: Datastream

European Cyclical vs Defensives and Manufacturing PMI



Source: Datastream, S&PGlobal

Cyclicals EPS relative to Defensives vs IFO



Source: Bloomberg Finance L.P. , IBES

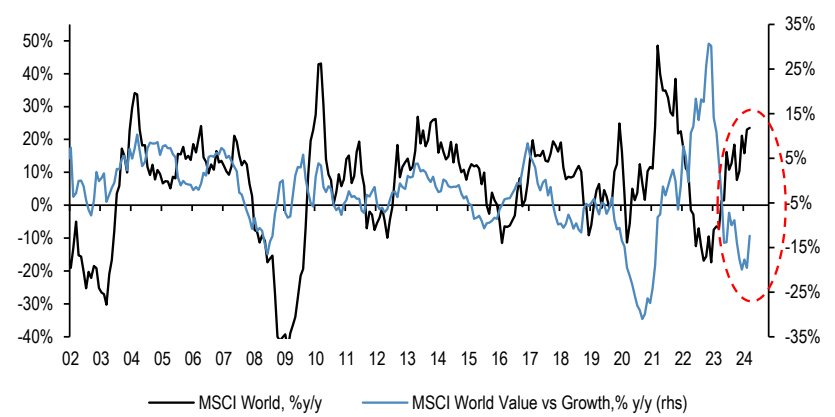
Cyclicals vs Defensives EPS trend in different PMI regimes

Euro Area Manufacturing PMI	European Cyclical vs Defensives 12m Fwd EPS forward change			
	Median		Average	
	+3m	+6m	+3m	+6m
30-35	-13.6%	-14.2%	-14.2%	-13.5%
35-40	-6.2%	3.7%	-9.7%	-5.2%
40-45	-2.9%	-1.8%	-9.6%	-7.6%
45-50	-1.5%	-2.6%	-1.5%	-3.2%
50-55	1.2%	2.1%	1.5%	2.8%
55-60	2.6%	3.6%	2.7%	3.7%
60-65	3.9%	4.9%	5.2%	5.4%

Source: IBES

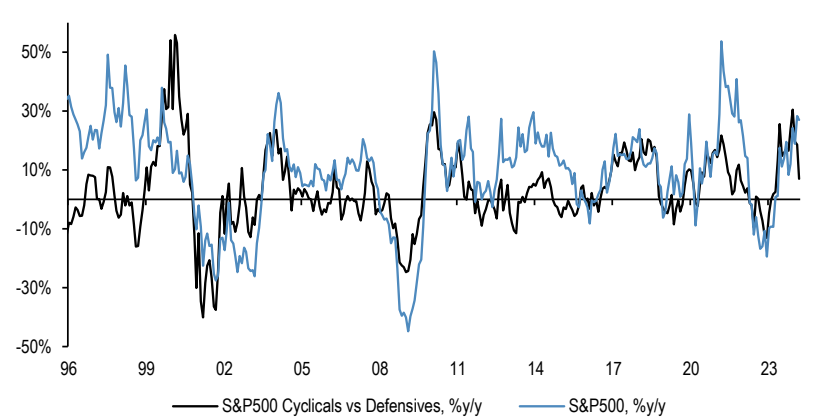
Growth style is a large part of market cap, but notably market direction and Cyclical/Value leadership are typically positively correlated

MSCI World and MSCI World Value vs Growth



Source: Datastream

S&P500 Cyclical vs Defensives and market



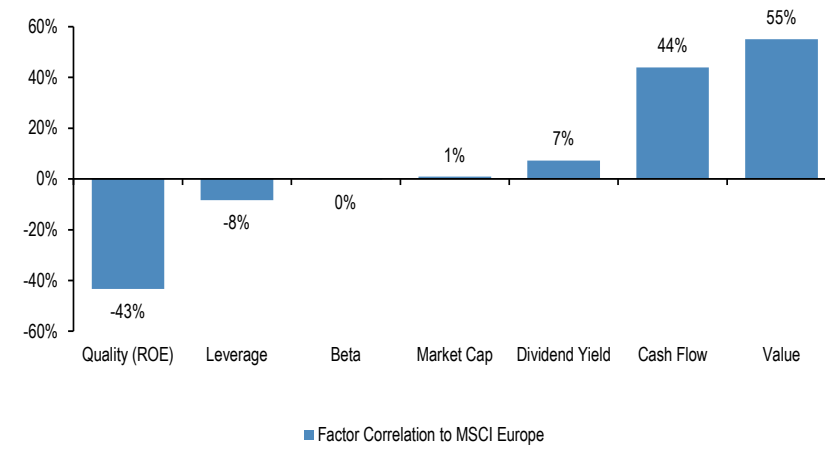
Source: Datastream

Periods of outperformance of US Cyclical vs Defensives

Trough	Peak	# Months	Move in Cyclical vs Defensives	Move in SPX
20-Sep-01	08-Jan-02	3.6	36%	18%
09-Oct-02	19-Jan-04	15.3	39%	47%
12-Aug-04	06-Dec-04	3.8	14%	12%
15-Apr-05	19-Apr-06	12.1	13%	15%
27-Jul-06	19-Jul-07	11.7	17%	23%
17-Jan-08	15-May-08	3.9	16%	7%
23-Feb-09	26-Apr-10	14.1	50%	63%
31-Aug-10	14-Feb-11	5.5	19%	27%
03-Oct-11	19-Mar-12	5.5	16%	28%
22-Apr-13	31-Dec-13	8.3	19%	18%
21-Aug-15	06-Nov-15	2.5	10%	7%
05-Jul-16	06-Jun-18	23	51%	33%
21-Dec-18	18-Apr-19	3.9	19%	20%
Average		5.5	19%	20%
Median		8.7	25%	24%

Source: Datastream

Factor performance correlation to market

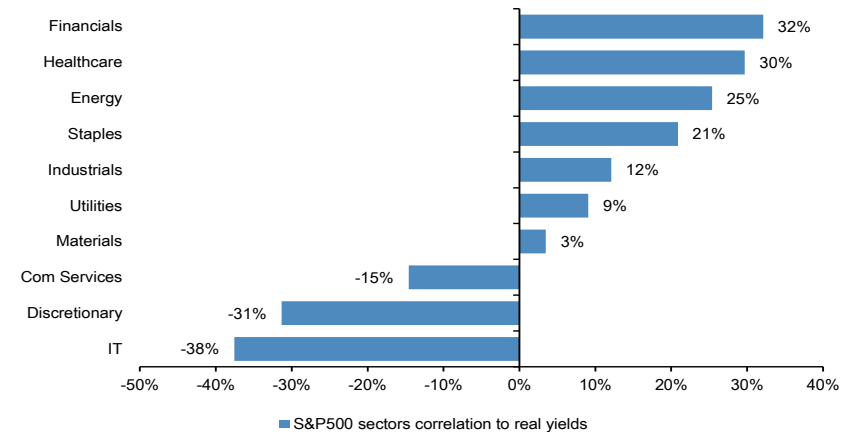


Source: Datastream, J.P. Morgan

The high inflation, low growth backdrop in the '70s saw commodity sectors and Industrials do better; Financials did well outside recessions

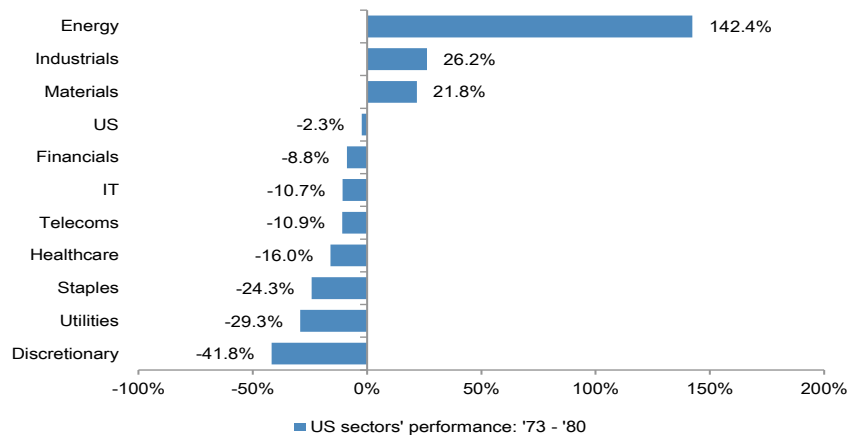
- Financials performed well, outside recessions, in 1970-ies.
- Financials are the most positively correlated to real rates, and Tech the most negatively.

US sectors correlation to real yields, last 7 years



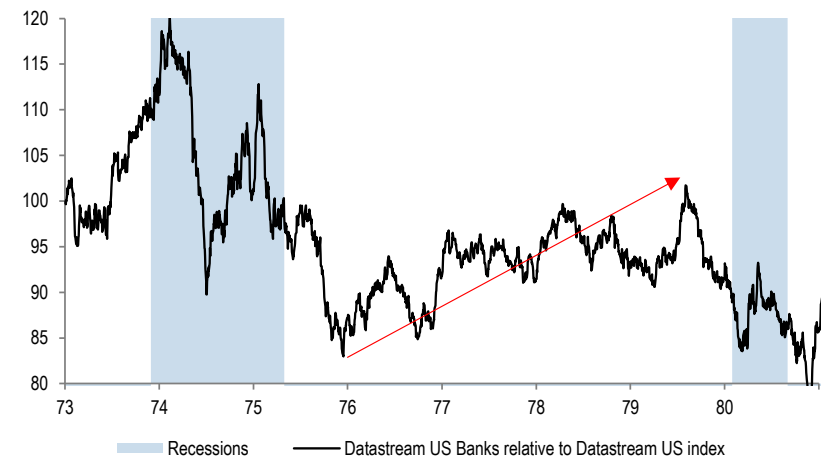
Source: Bloomberg Finance L.P.

US sectors performance in '70s episode



Source: Datastream, JP Morgan

US Banks relative in 70ies



Source: Datastream

2) USD direction matters for regional calls, in particular for EM equities, and for commodities... equities typically preferred falling USD

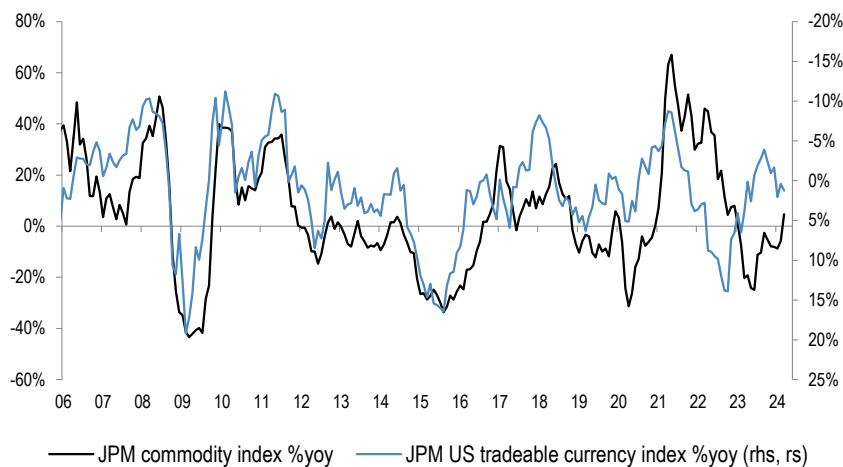
- Historically, equities did better in weaker USD regimes, especially the EMs.
- Commodities are inversely correlated to the USD.

MSCI World performance in different DXY regimes

MSCI World (\$) monthly performance since '10		
	DXY up	DXY down
Average	-1.2%	2.7%
Median	-0.2%	2.5%
% positive	43%	79%

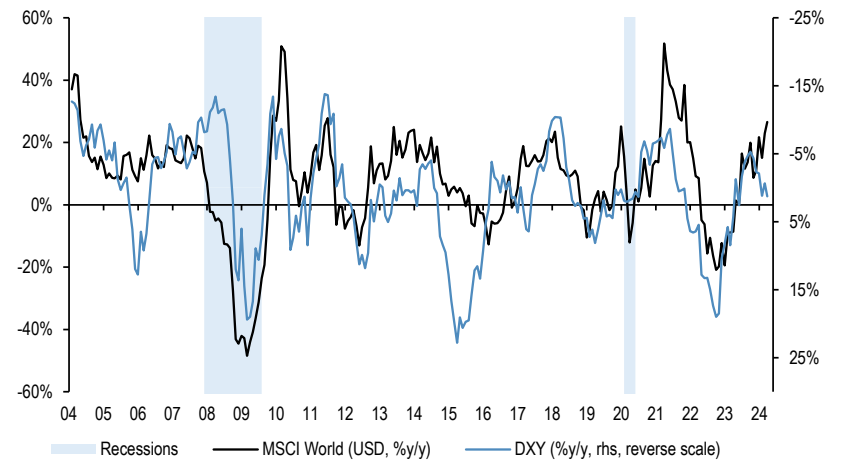
Source: Bloomberg Finance L.P.

Commodity index and trade-weighted USD



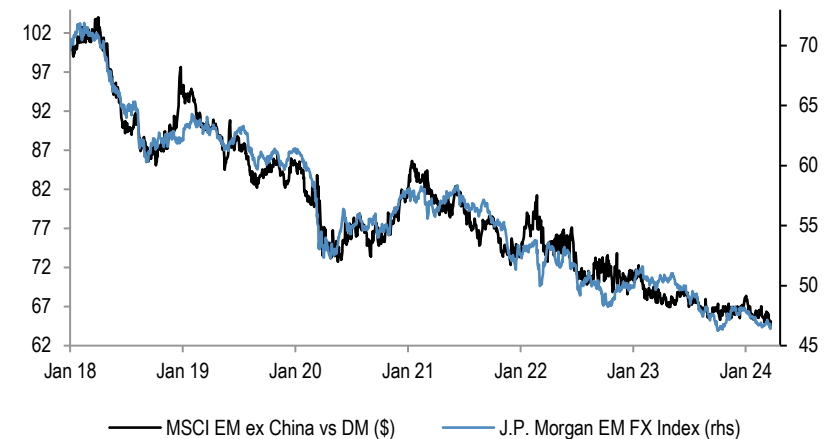
Source: Bloomberg Finance L.P., J.P.Morgan

MSCI World performance and DXY



Source: Bloomberg Finance L.P.

MSCI EM ex China vs DM and EM FX



Source: Bloomberg Finance L.P.

Regional Allocation: 1) OW Japan – reflation, inflows, TSE reforms and continued significant yield spread are staying the tailwinds...

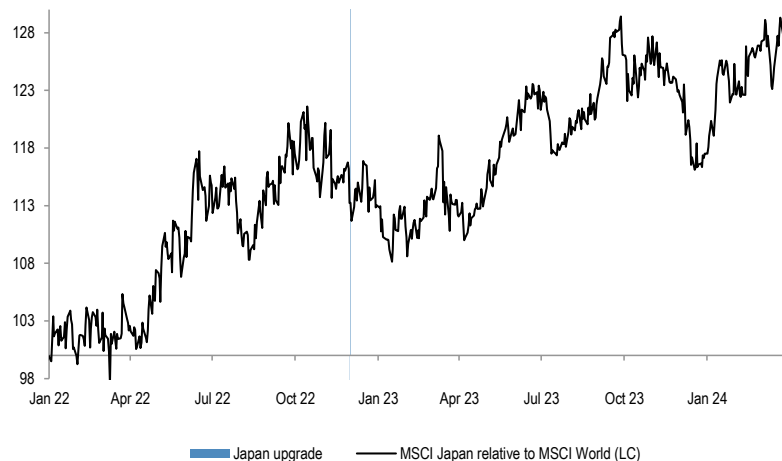
- We have been bullish on Japanese equities through last year, having upgraded to OW in December '22. Our view last year was to hedge the FX, but we think that one might not need to hedge JPY from here.
- Yield spread differential and the reflation are some of the supports.

Japan monthly earnings



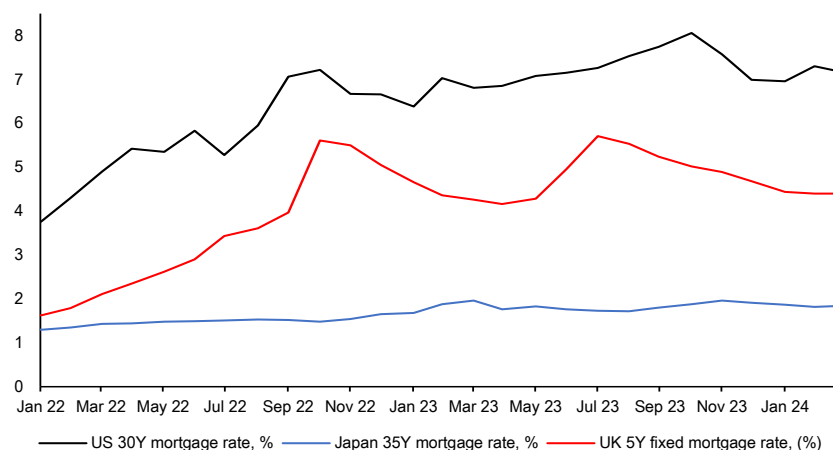
Source: J.P.Morgan Economics

MSCI Japan relative



Source: Datastream

US, UK and Japan mortgage rates

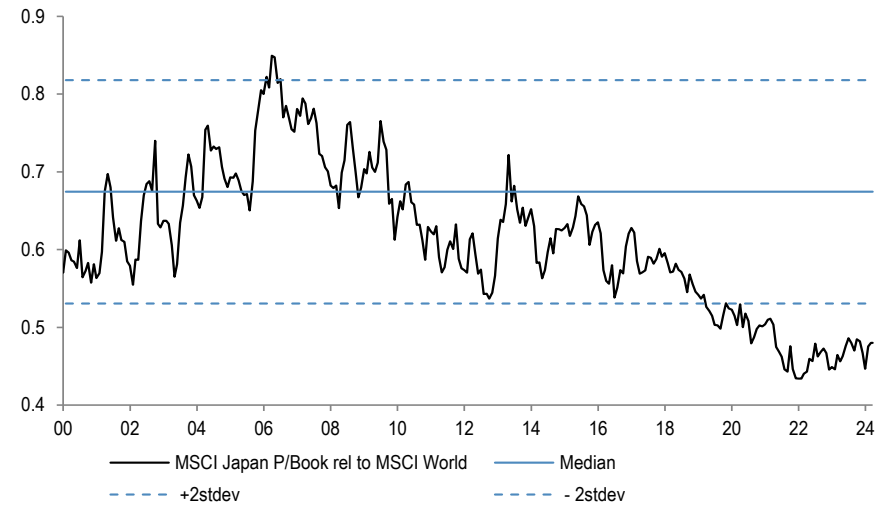


Source: Bloomberg Finance L.P.

...Japan is still underowned by global investor...

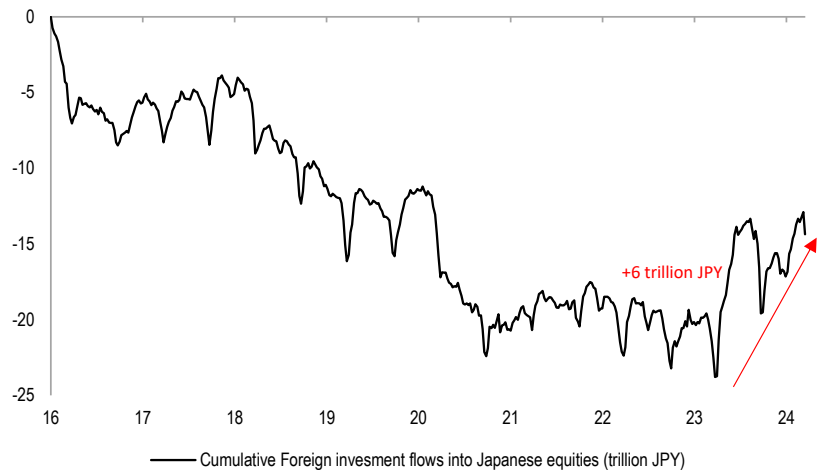
- Despite the strong returns last year, Japan still trades 2.5 standard deviations below its long-term median on P/B metric.
- Foreign investor interest in Japan has increased last year, and the region has seen inflows. Still, positioning is light in a longer-term context.
- Foreigners have bought ¥5 trillion of Japanese stocks in 2023, which compares to ¥35 trillion during the Koizumi era and ¥25 trillion during Abenomics, the last two times when Japanese stocks moved up more than 100%.

MSCI Japan Price to Book relative



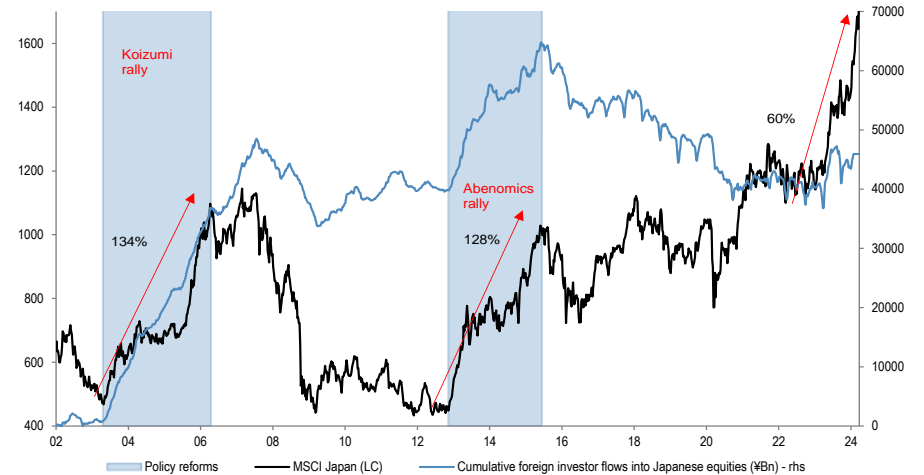
Source: IBES

Foreign investment flows into Japanese equities



Source: JPM Japan Equity Strategy

MSCI Japan price and flows during Koizumi and Abenomics reforms

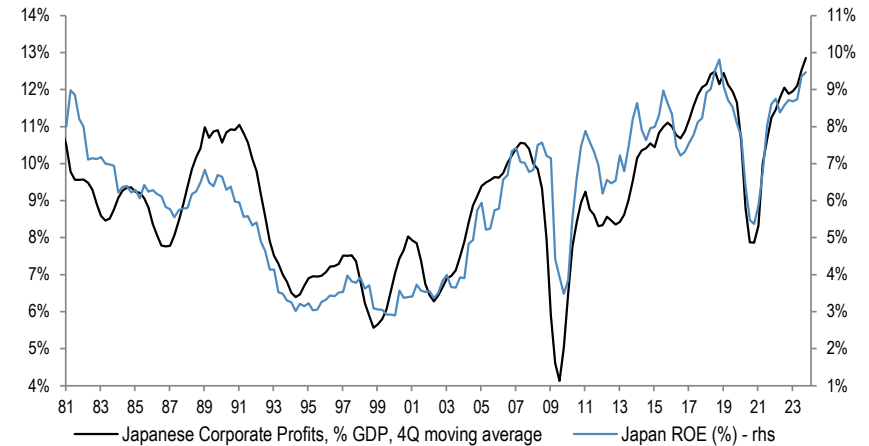


Source: IBES

...corporate balance sheets are net cash, TSE initiative is likely to drive continued rerating...

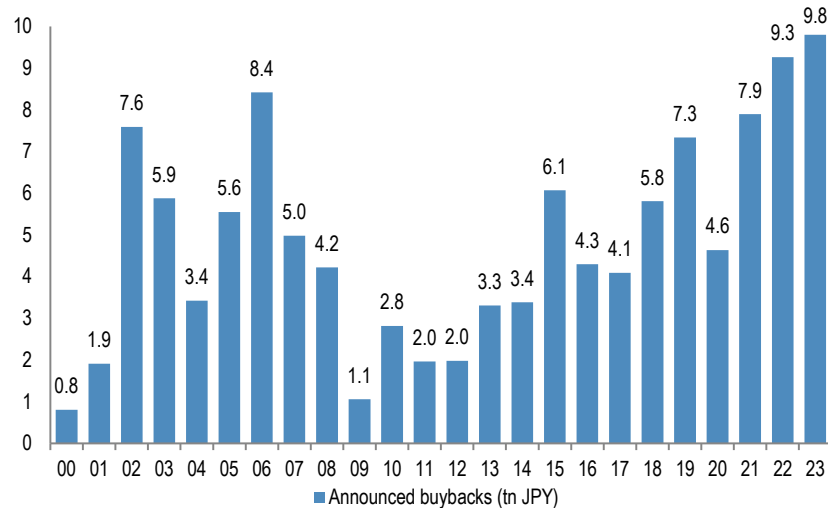
- One of the key drivers of Japanese equities is the TSE directive to better manage cost of capital, which incentivizes companies to raise their RoE. The region has a higher proportion of net cash companies vs others, which can be used towards measures to raise RoE. This in turn is likely to boost corporate profitability.
- Japanese companies are also seeing elevated buyback announcements.

Japanese profit margins and RoE



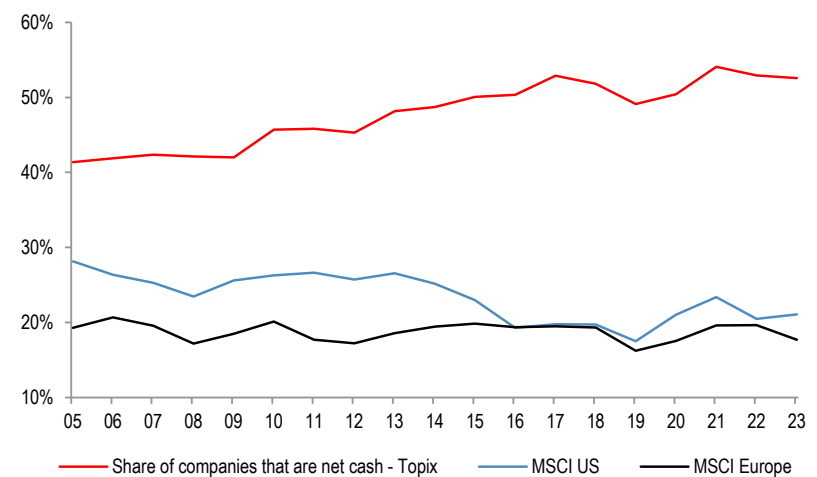
Source: ESRI, Bloomberg Finance L.P.

Announced buybacks - TOPIX universe



Source: J.P. Morgan

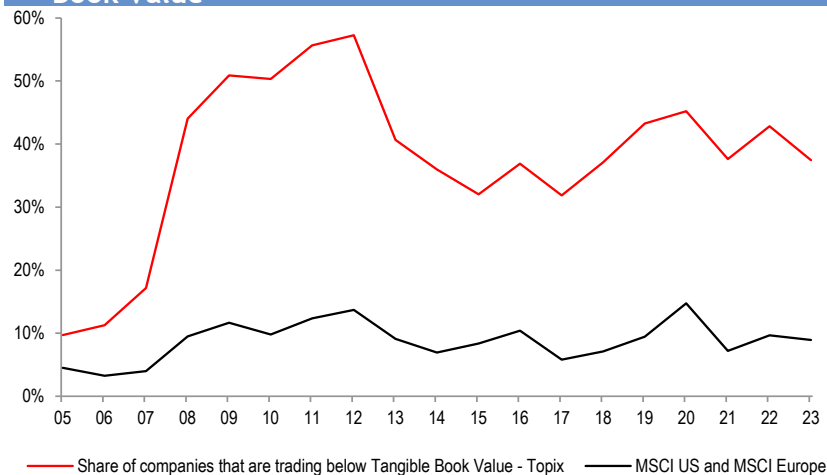
Net cash firm weightings



Source: Bloomberg Finance L.P.

...expect government policy to continue to support corporate governance reforms

Share of companies that are trading below Tangible Book Value



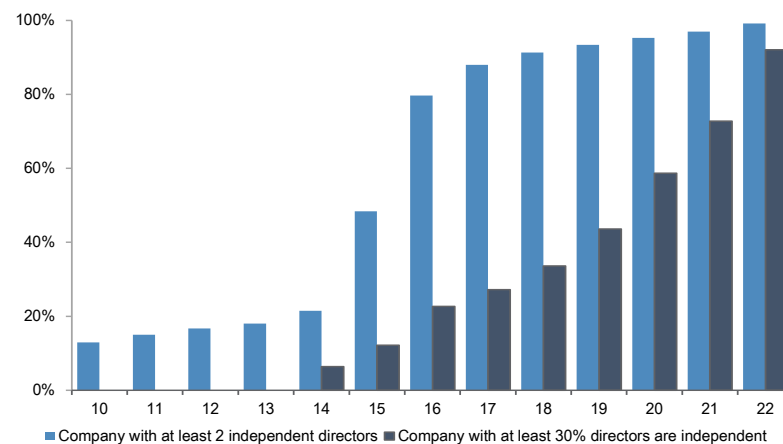
Source: Bloomberg Finance L.P.

Disclosure status of all companies (all prime listed Companies)

(Units: # of companies)		Disclosed initiatives	Under consideration	Disclosed	Total # of companies	Disclosed ratio
All prime listed companies		660	155	815	1,656	49.2%
Market Cap.	Less than JPY 25 bil	44	14	58	200	29.0%
	JPY 25 - 100 bil	230	80	310	682	45.5%
	JPY 100 bil or more	386	61	447	774	57.8%
PBR	Less than 0.5x	71	27	98	145	67.6%
	0.5 - 1x	299	70	369	591	62.4%
	1 - 2x	168	39	207	501	41.3%
	2x or more	122	19	141	419	33.7%
ROE	Less than 0%	25	14	39	102	38.2%
	0% - 8%	311	89	400	702	57.0%
	8-15%	229	38	267	545	49.0%
	15% or more	95	14	109	307	35.5%

Source: J.P. Morgan Japan Strategy

Japan ratio of independent directors



Source: J.P. Morgan Japan Strategy

Strategic holdings of TOPIX 100 names (ex. Financials)



Source: J.P. Morgan Japan Strategy

We stay OW Japanese Banks

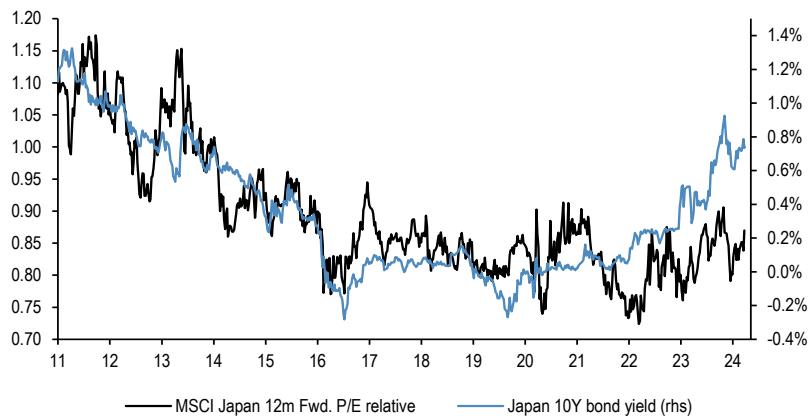
- A final potential positive argument for Japan is that the rising bond yields and/or inflation should not be seen as impediments for the region's performance. Our fixed income team expects Japanese yields to rise from current levels.
- We keep our regional relative trade of OW Japanese Banks vs global Banks, started in April last year.

JPM forecasts for Japan 10Y bond yield (%)

	Forecast for the end of			
Current	Jun 24	Sep 24	Dec 24	Mar 25
0.73	0.85	1.05	1.30	1.30

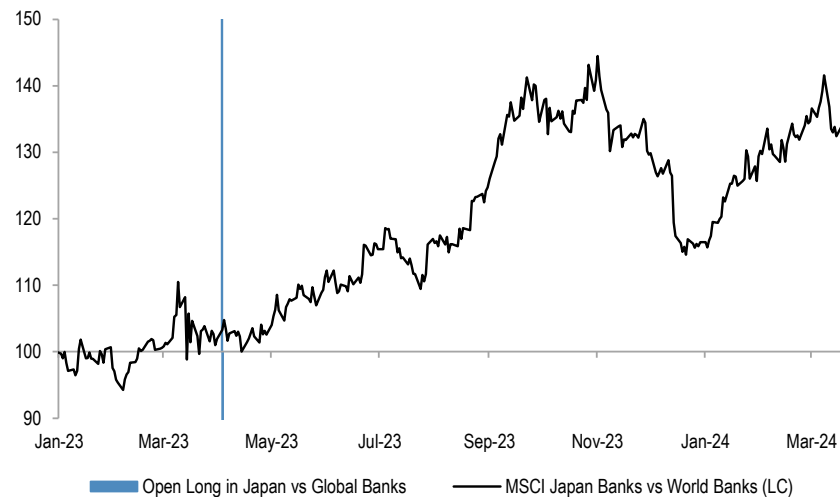
Source: Bloomberg Finance L.P., J.P. Morgan

MSCI Japan 12m forward P/E and bond yields



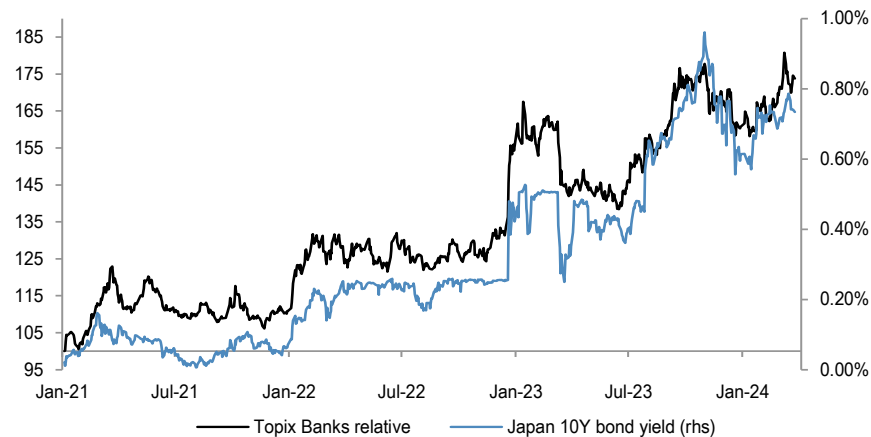
Source: Bloomberg Finance L.P., J.P. Morgan

MSCI Japan Banks relative to Eurozone Banks



Source: Datastream

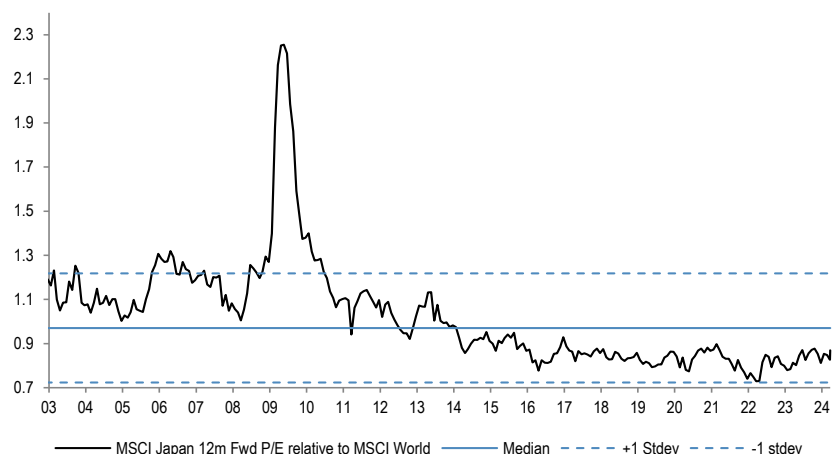
Japan Banks relative to 10Y bond yield



Source: Bloomberg Finance L.P.

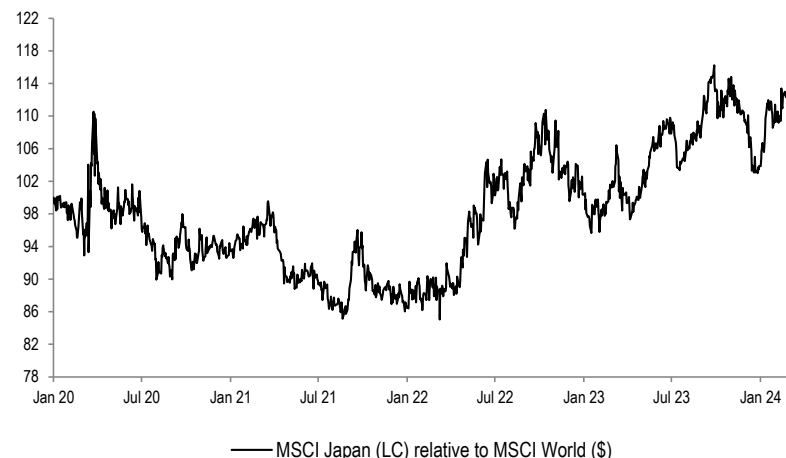
Japan snapshot

MSCI Japan 12m Fwd PE relative to MSCI World



Source: IBES

MSCI Japan performance relative to MSCI World



Source: Datastream

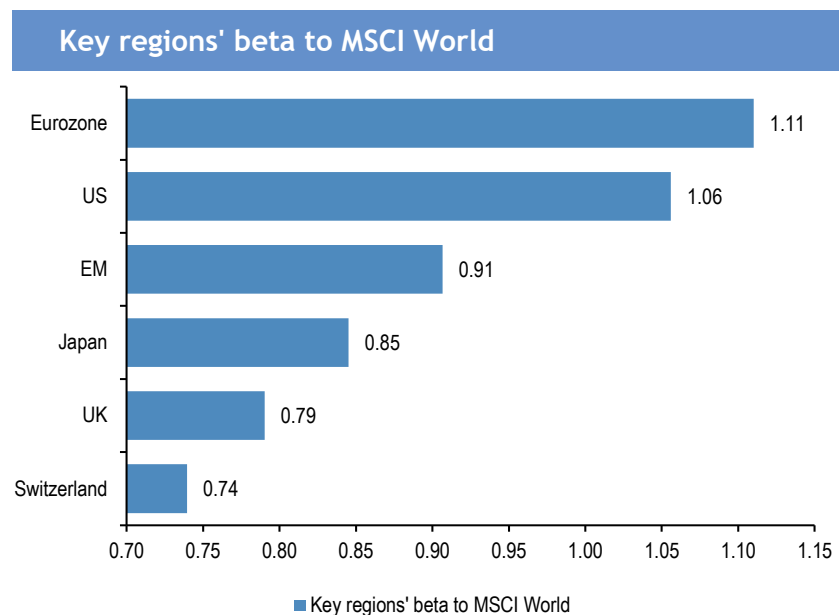
Japan Sector snapshot

	YTD Perf, %	YTD Total Return, %	Weight in Index		12m Fwd P/E		EPS growth*, %	
			Japan	vs MSCI World	Current	vs Median since '06	2023e	2024e
Japan	20.3%	20.4%	100.0%	0.0%	16.2	15.7%	13.3%	8.4%
Energy	27.1%	27.1%	0.8%	-3.4%	8.7	-7.3%	1.7%	-1.4%
Materials	14.7%	14.7%	4.8%	1.0%	14.7	13.4%	-13.2%	14.2%
Industrials	20.1%	20.1%	21.9%	10.8%	15.7	18.0%	-13.2%	3.7%
Discretionary	24.1%	24.2%	19.6%	8.6%	13.2	3.4%	50.6%	7.7%
Staples	4.8%	5.0%	5.3%	-1.2%	20.3	-2.2%	-0.4%	16.6%
Healthcare	12.1%	12.2%	8.1%	-4.0%	27.3	19.8%	-0.7%	11.9%
Financials	31.7%	31.7%	13.0%	-2.1%	12.9	16.9%	35.6%	8.3%
IT	21.7%	21.8%	15.4%	-8.8%	25.6	47.2%	-6.4%	19.4%
Telecoms	16.7%	16.7%	7.1%	-0.3%	19.2	44.7%	48.1%	27.0%
Utilities	14.8%	14.8%	1.0%	-1.3%	8.4	-31.0%	396.2%	-26.0%
Real Estate	-3.1%	-2.0%	2.9%	0.7%	16.6	6.9%	1.7%	5.9%
Cyclicals	21.3%	21.4%	61.6%	11.6%	16.2	17.7%	5.4%	8.4%
Defensives	11.8%	11.9%	21.6%	-6.8%	20.4	17.6%	33.4%	15.6%

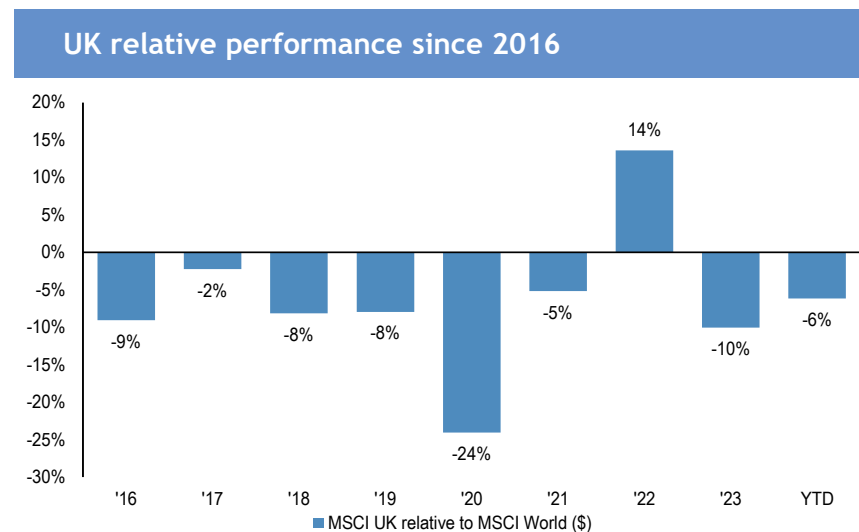
Source: IBES, Datastream, *for the year ending March 2024 and 2025

2) OW UK – it could become more interesting in case of a broader equity weakness...

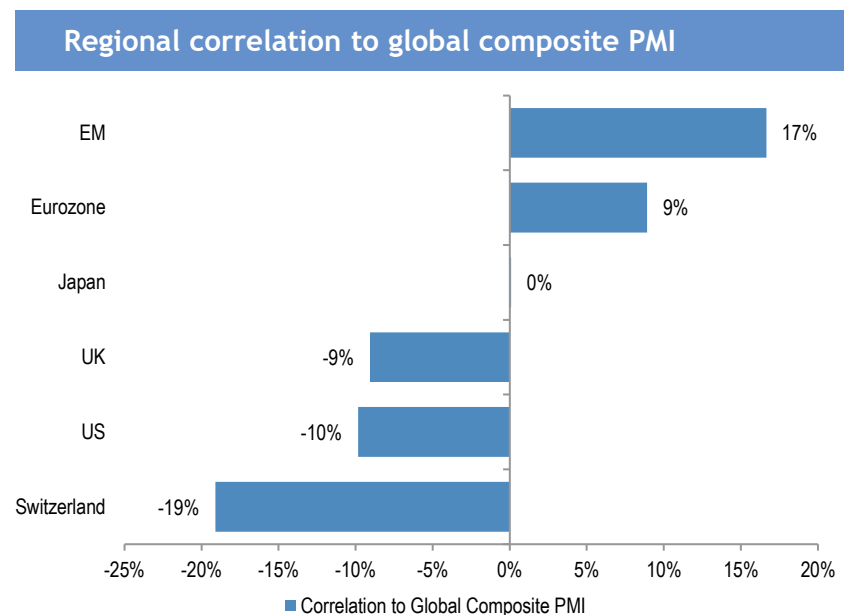
- The last time UK equities outperformed global was in 2022, when its defensive characteristics came in handy.
- The UK has traditionally been a low beta, Defensive market, which performs well on a relative basis during downturns. If global equities see a pullback into summer, the UK could be a relative winner.



Source: Datastream, *MoM relative to MSCI World in LC, since 2000



Source: Datastream

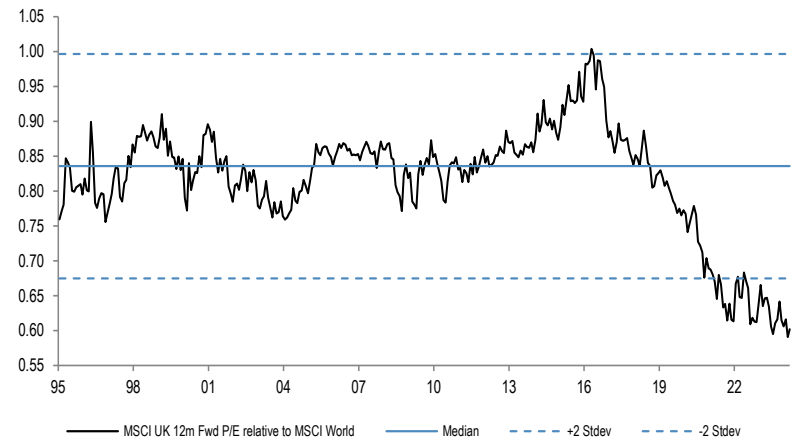


Source: Datastream, S&P Global, PGlobal. *MoM relative to MSCI World in LC, since 2000

...UK is trading near record cheap levels...

- The UK has de-rated strongly since the 2016 Brexit vote and is trading near the lowest forward P/E level vs global peers in the last three decades. The UK appears extremely cheap even if one were to exclude Banks and Energy from the calculation or adjust for sector bias.

MSCI UK 12m Fwd. P/E relative to MSCI World



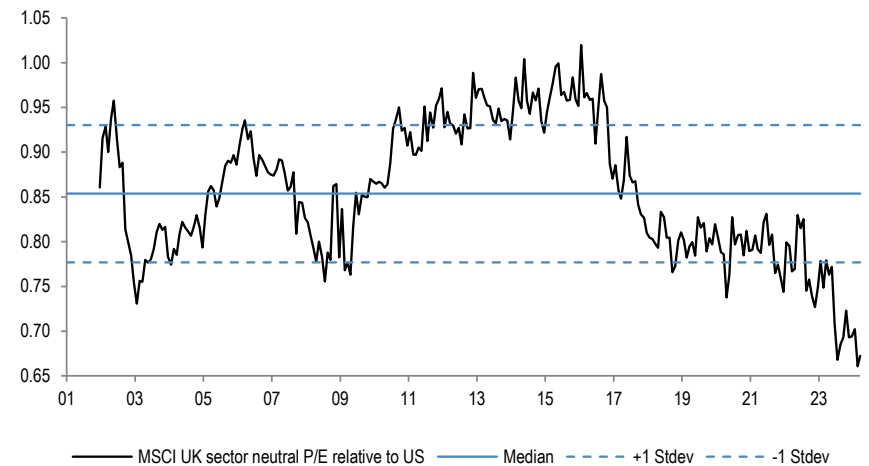
Source: Datastream

MSCI UK 12m Fwd P/E relative, ex Energy and Banks



Source: Datastream

MSCI UK sector neutral 12m Fwd. P/E relative

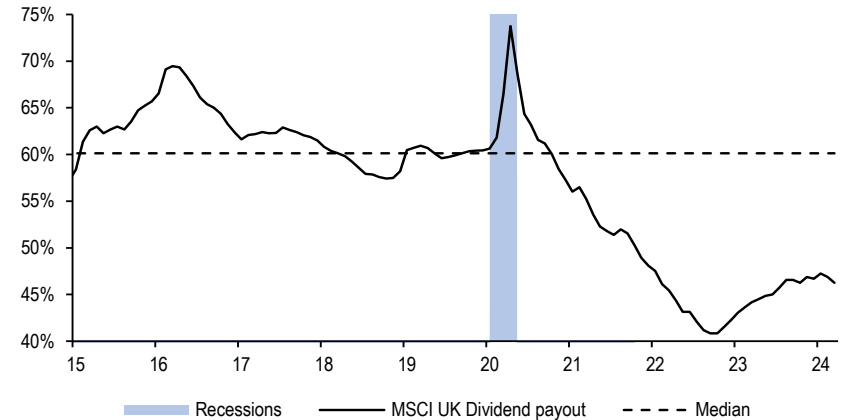


Source: Datastream

...and it offers the highest dividend yield of any of the big DMs

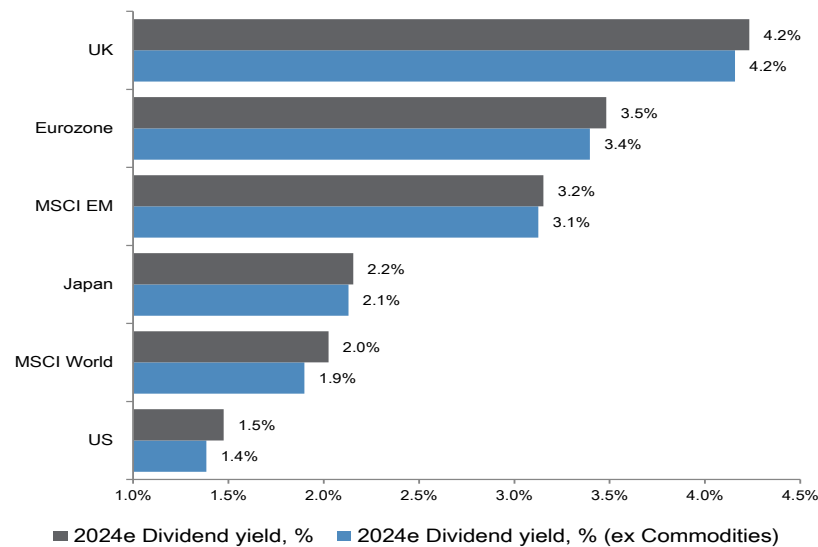
- From a total return perspective, the UK offers a much higher dividend yield compared to other regions, even excluding commodity sectors.
- Even though dividend yield looks attractive, the payout ratio is still meaningfully below average. In addition, dividend strategies are likely to gain traction if our view that bond yields move lower is vindicated.
- The UK, which has a high proportion of income funds, could benefit as investors turn to dividend strategies.

UK dividend payout ratio



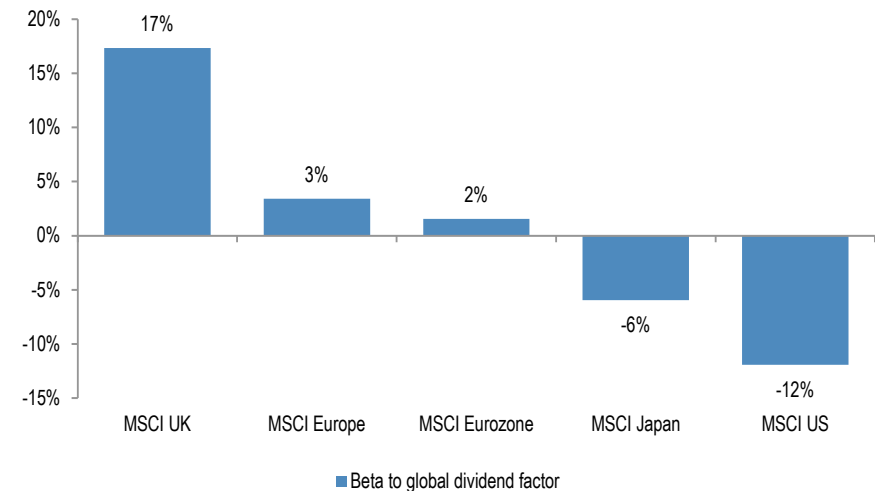
Source: Datastream

Dividend yield for key regional markets



Source: Bloomberg Finance L.P.

Beta to dividend factor

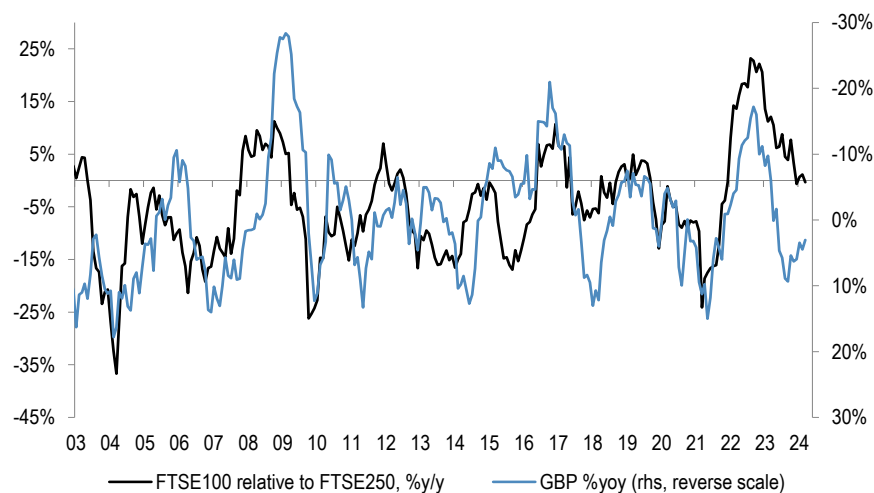


Source: Bloomberg Finance L.P.

Weak GBP is a tailwind for FTSE100

- We note that our economists expect subdued UK growth outturn this year. Our bullish stance is not predicated on a strong domestic economic recovery.
- FTSE100 shows a strong inverse correlation to the GBP, as over 70% of the index revenues are derived from outside the UK. A potentially weaker GBP should help the group this year.

FTSE100 relative to World and GBP



Source: Datastream

JPM UK GDP and CPI projections

	3Q23	4Q23	1Q24E	2Q24E	3Q24E	4Q24E
UK Real GDP (% over previous period, saar)	-0.5	-1.4	1.0	0.8	0.0	-0.5
UK CPI (% oya)	6.7	4.2	3.6	1.5	1.7	2.3

Source: J.P. Morgan Economics Research

Foreign revenue exposure of FTSE100 and FTSE250

	Ex UK Exposure	
	FTSE100	FTSE250
Energy	88%	95%
Healthcare	100%	53%
Materials	99%	83%
Telecoms	67%	48%
Real Estate	24%	58%
Industrials	80%	48%
IT	83%	71%
Utilities	32%	2%
Discretionary	58%	75%
Staples	59%	45%
Financials	44%	40%
Market	72%	61%

Source: Bloomberg Finance L.P.

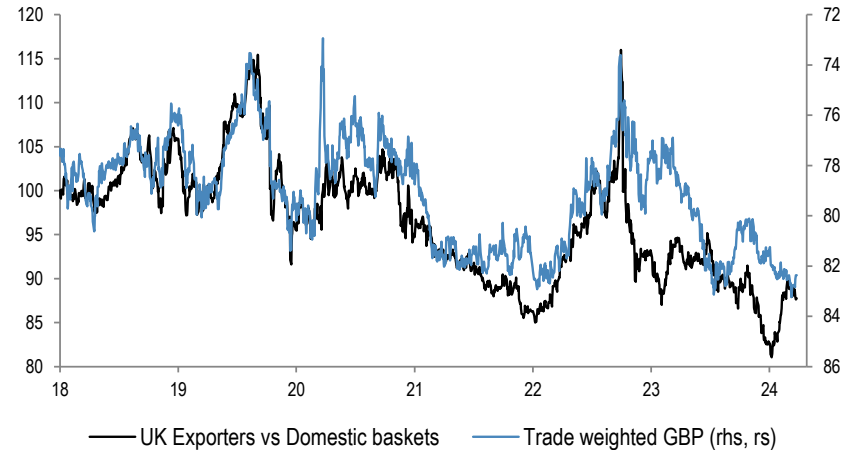
We have been OW FTSE100 vs FTSE250 for almost 2 years and believe there is more to go... UK domestic names to stay under pressure...

FTSE100 vs FTSE250



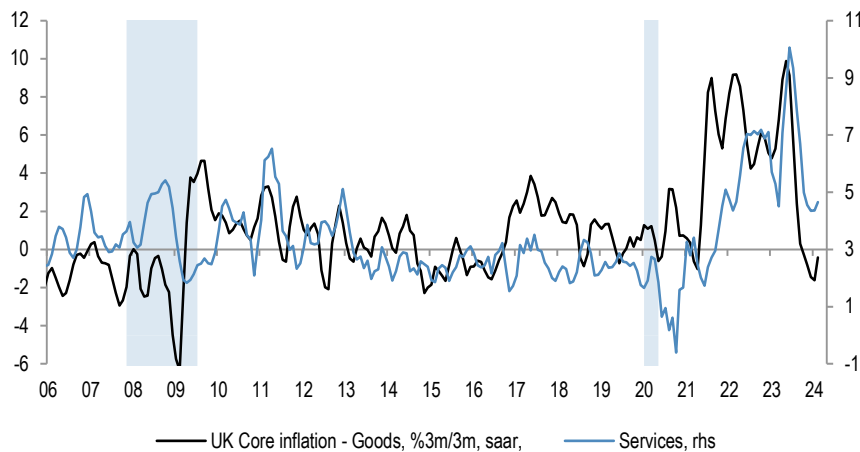
Source: Datastream

UK Exporters vs Domestic vs Trade-Weighted GBP



Source: Bloomberg Finance L.P.

UK Core Inflation



Source: JPM Economics team

Exporters vs Domestic basket composition

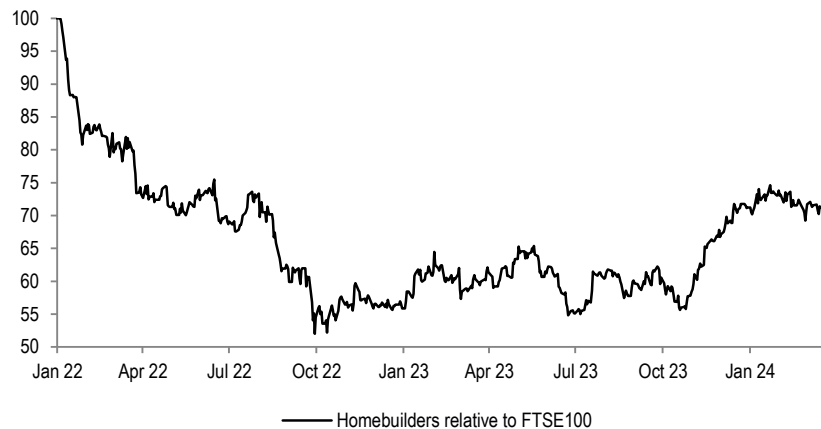
	Domestics weight	Exporters weight	Exporters - Domestic
HEALTH CARE	0%	18%	18%
INDUSTRIALS	4%	14%	10%
IT	0%	9%	9%
STAPLES	15%	23%	8%
ENERGY	0%	0%	0%
MATERIALS	0%	0%	0%
UTILITIES	4%	0%	-4%
Comm. Svcs	11%	5%	-7%
REAL ESTATE	7%	0%	-7%
FINANCIALS	30%	18%	-11%
DISCRETIONARY	30%	14%	-16%

Source: J.P. Morgan

...UK domestics tended to rally only after BoE starts cutting rates

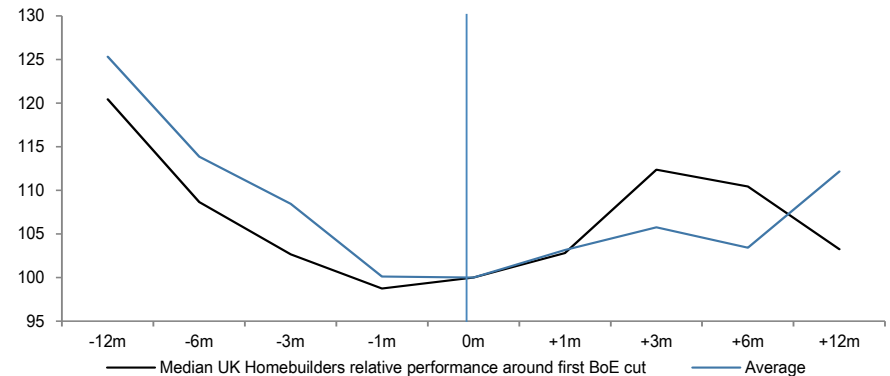
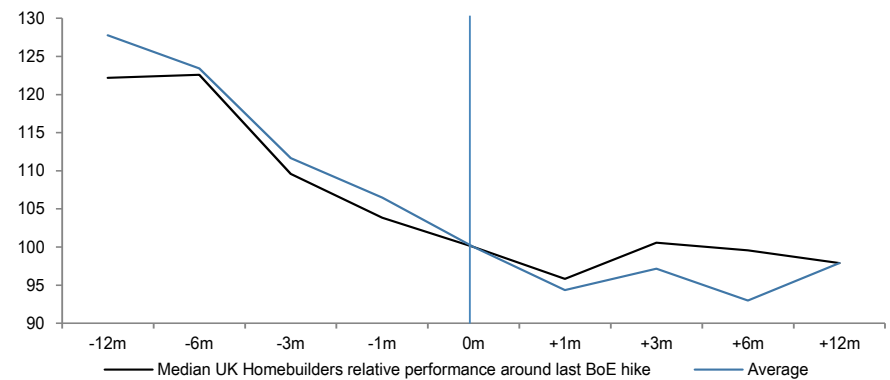
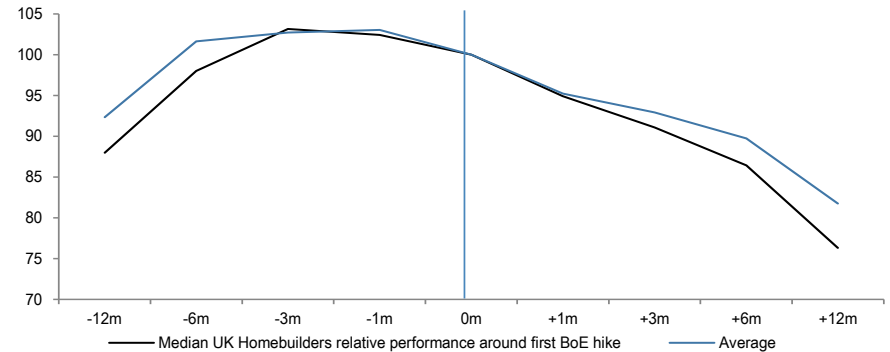
- UK homebuilders have underperformed over the last 2 years and have been trying to bounce recently. This underperformance is consistent with how the sector typically performs during a hiking cycle. We think that the time might be coming to be more positive on the space.
- On the other side, post the final BoE hike, Homebuilders stocks do not underperform increasingly more, but still struggle for direction. One needs to see the BoE outright cutting rates for the sector's performance to pick up and JPM economists expects a rate cut in August.

UK Homebuilders relative



Source: Datastream

Median UK Homebuilders relative performance around first BOE hike, last BOE hike and first BOE cut



Source: Datastream

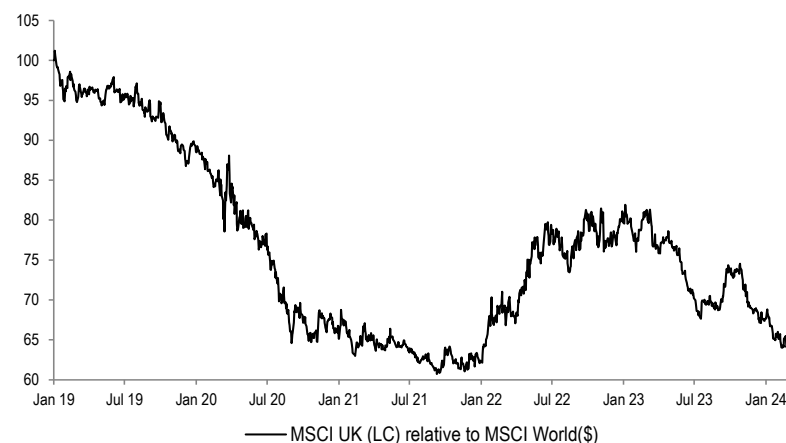
UK snapshot

MSCI UK 12m Fwd PE relative to MSCI World



Source: IBES

MSCI UK performance relative to MSCI World



Source: Datastream

UK Sector snapshot

	YTD, %	YTD Total Return, %	Weight in Index		12m Fwd P/E		EPS growth, %	
			UK	vs MSCI World	Current	vs Median since '06	2024e	2025e
UK	2.7%	3.8%	100.0%	0.0%	11.4	-4.7%	1.8%	7.6%
Energy	3.8%	5.0%	12.8%	8.6%	7.9	-23.0%	0.9%	5.8%
Materials	-2.2%	-0.7%	10.0%	6.1%	11.9	7.4%	2.6%	2.7%
Industrials	13.2%	13.3%	13.1%	2.0%	22.3	76.8%	7.7%	12.7%
Discretionary	1.5%	2.1%	7.5%	-3.4%	19.0	46.2%	1.8%	17.4%
Staples	-0.6%	0.5%	17.1%	10.6%	12.3	-10.1%	2.2%	7.3%
Healthcare	3.3%	4.6%	12.5%	0.5%	13.7	9.8%	7.9%	11.6%
Financials	2.9%	4.9%	18.4%	3.2%	7.8	-26.6%	-1.5%	6.7%
IT	5.5%	6.1%	1.1%	-23.0%	30.1	63.6%	10.6%	11.0%
Telecoms	-0.1%	-0.1%	2.6%	-4.8%	10.0	-12.2%	7.1%	9.3%
Utilities	-3.8%	-3.6%	4.1%	1.7%	12.6	2.5%	-2.3%	4.9%
Real Estate	-1.6%	0.4%	0.8%	-1.5%	19.6	-2.5%	4.2%	4.6%
Cyclicals	5.0%	5.8%	31.7%	-18.3%	16.7	36.1%	4.1%	9.0%
Defensives	0.4%	1.4%	36.3%	7.9%	12.6	-1.4%	3.8%	8.5%

Source: IBES, Datastream

3) Neutral Eurozone – we recently took profits on OW US vs UW Eurozone... growth differential with the US is likely to start improving...

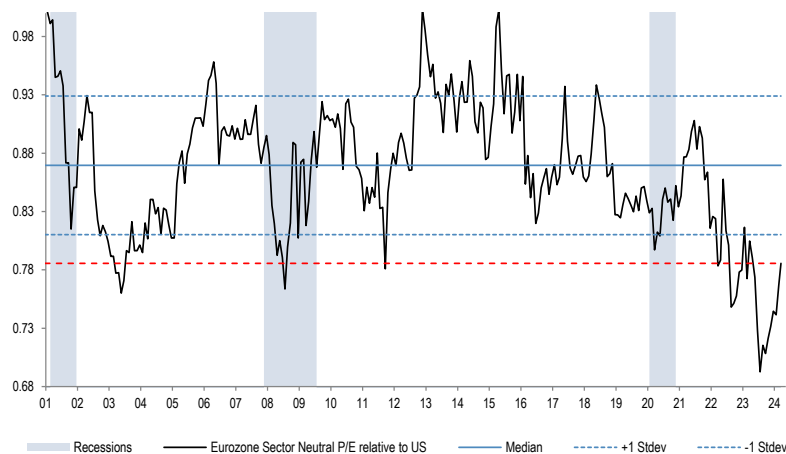
- Eurozone equities have lagged the global benchmark since last summer, underperforming the US equity market by as much as 15% since our downgrade last May.
- We believe that the worst of the relative underperformance of Eurozone equities is likely behind and have recently neutralized our preference of US equities over Eurozone.
- Among other considerations, we note that the growth differential between the two regions is converging as exhibited by the move in respective economic surprise indices.

MSCI Eurozone vs US relative performance



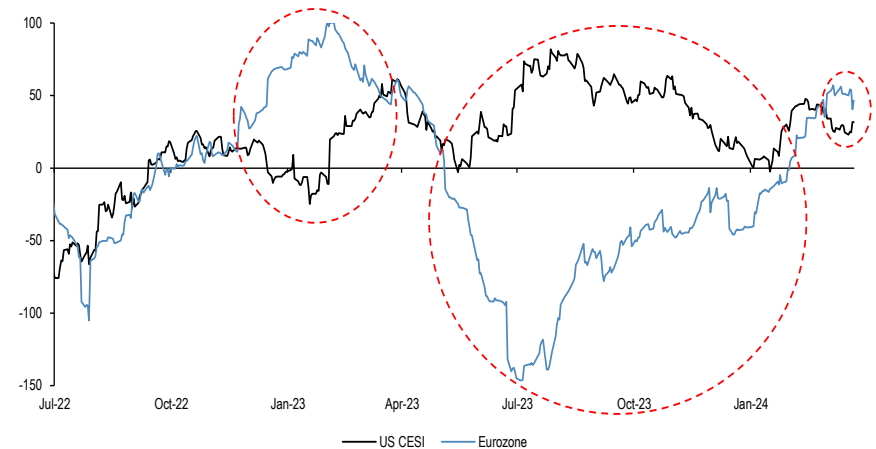
Source: Datastream

MSCI Eurozone sector neutral P/E vs US



Source: IBES

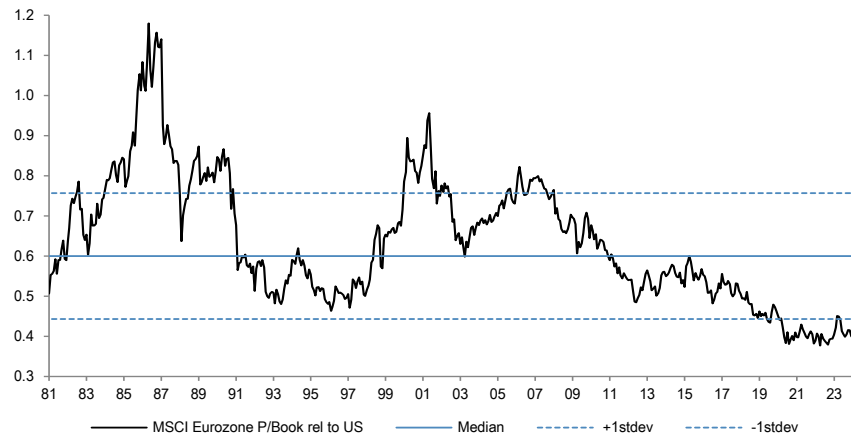
Eurozone and US CESIs



Source: Bloomberg Finance L.P.

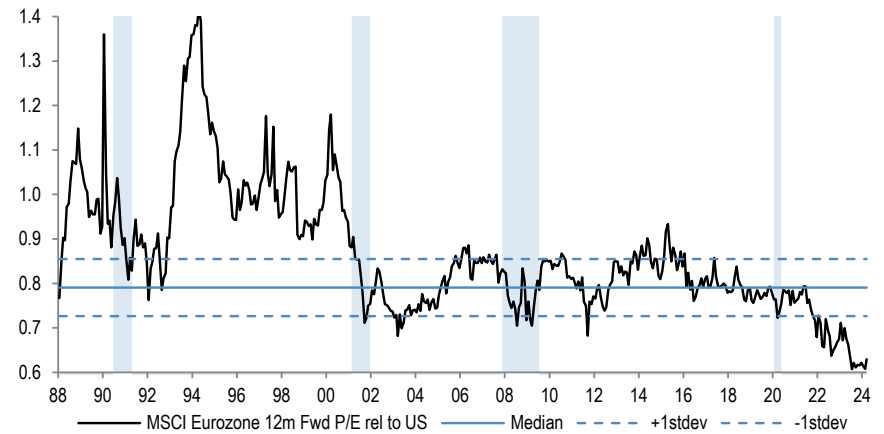
...Eurozone valuations relative to the US are very attractive...

MSCI Eurozone vs US P/Book



Source: Datastream

MSCI Eurozone 12m Fwd PE relative to US



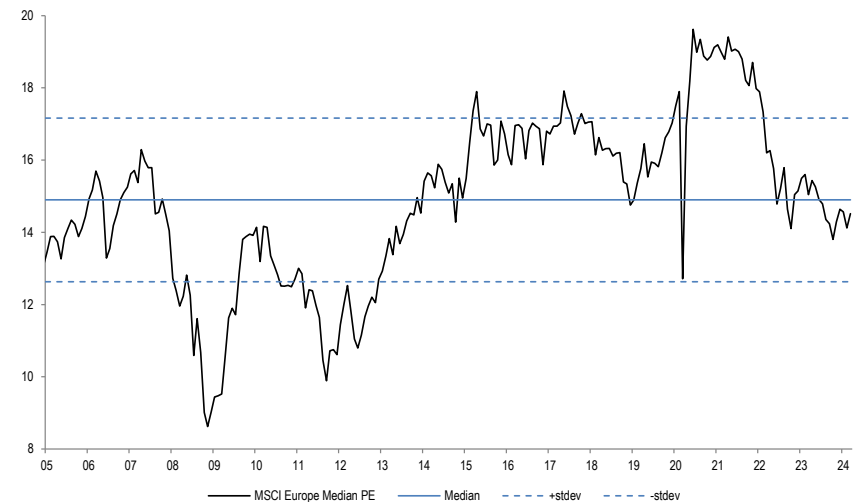
Source: IBES

MSCI Eurozone vs US - Current vs Historical Median

	12m Fwd. P/E			Eurozone vs US P/E		
	Eurozone	US	% discount	Current	Median	Current vs Median
IT	29.6	28.6	4%	1.04	1.06	-2%
Materials	17.0	20.9	-19%	0.81	0.86	-5%
Staples	18.6	20.1	-8%	0.92	1.00	-8%
Industrials	17.3	22.2	-22%	0.78	0.89	-13%
Com Services	15.1	19.5	-23%	0.77	0.91	-15%
Utilities	12.0	16.0	-25%	0.75	0.89	-16%
Healthcare	14.7	19.2	-23%	0.77	0.94	-18%
Market	13.5	21.4	-37%	0.63	0.81	-22%
Energy	7.3	12.9	-43%	0.57	0.76	-25%
Discretionary	12.3	26.3	-53%	0.47	0.67	-30%
Real Estate	11.8	36.7	-68%	0.32	0.47	-32%
Financials	8.7	15.8	-45%	0.55	0.81	-33%

Source: IBES, Median since 1995

MSCI Europe median 12m Fwd PE

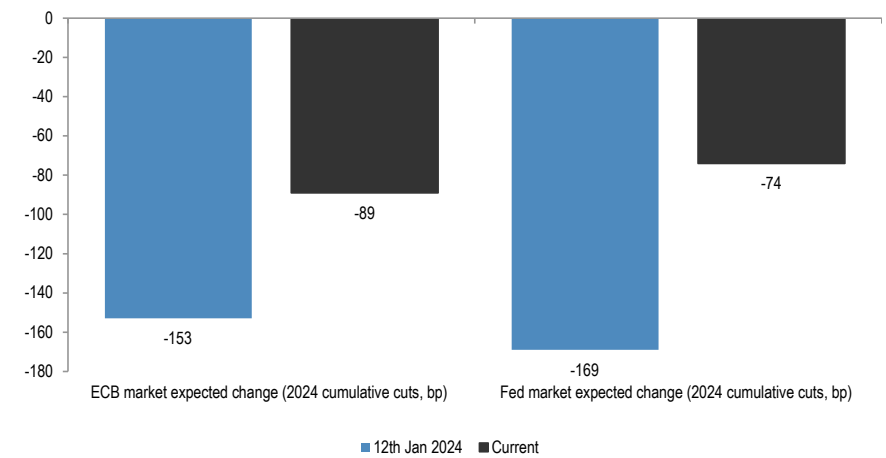


Source: IBES

...ECB may start cutting rates ahead of the Fed this time around, which would be very atypical...

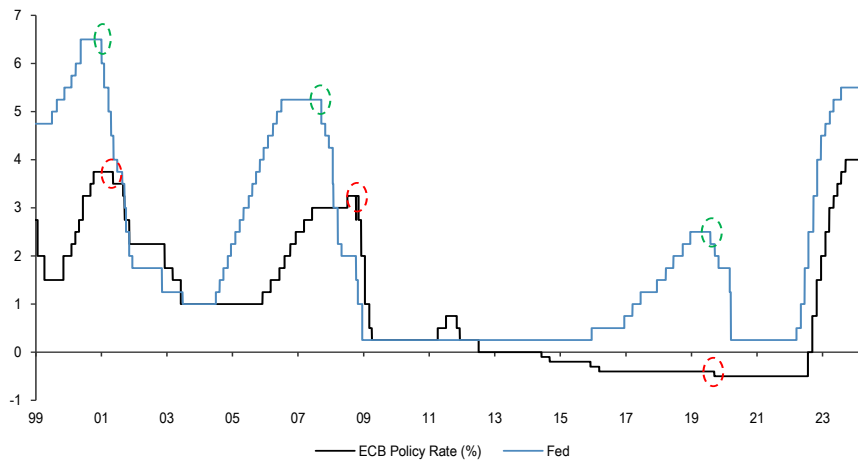
- ECB typically follows the Fed, however, there is a chance that it moves ahead of the US this time and they are also expected to cut more aggressively than Fed.
- Positioning is also relatively light, Eurozone has seen meaningful outflows in the past few quarters, in contrast to US inflows.

ECB and Fed market expected change - Jan'24 vs Current



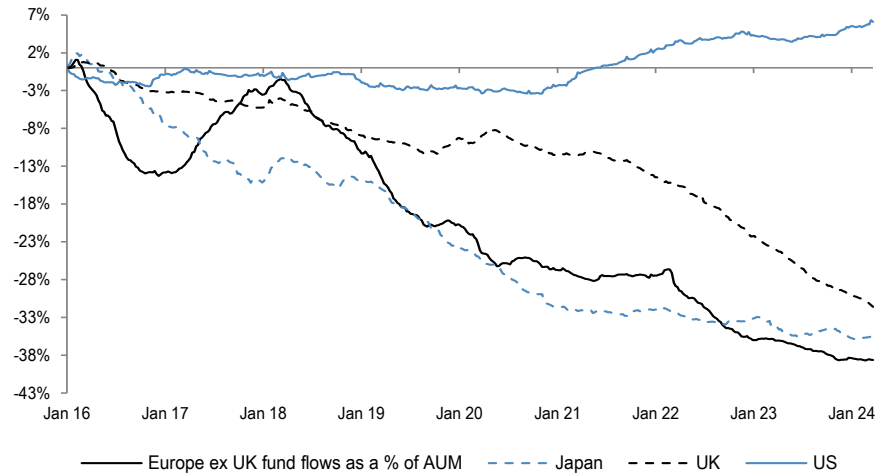
Source: Bloomberg Finance L.P.

Fed and ECB Policy rate



Source: Bloomberg Finance L.P.

Cumulative fund flows into regional funds



Source: EPFR

...Eurozone's fiscal position is better than for other regions; Fiscal expansion to support energy independence, defense and infrastructure underway

- From a fiscal standpoint, Eurozone scores better than the US, UK or Japan.

US, EMU, Japan and UK fiscal positions (% of GDP)

	Gross Debt (% of GDP)						Net Debt (% of GDP)						Primary Balance (% of GDP)					
	2021	2022	2023	2024	2025	2026	2021	2022	2023	2024	2025	2026	2021	2022	2023	2024	2025	2026
United States	126.4	121.3	123.3	126.9	130.3	132.9	98.3	95.1	96.7	100.7	104.0	106.6	-9.3	-1.3	-5.5	-4.3	-4.2	-3.5
Euro area	94.8	91.0	89.6	88.3	87.1	86.1	77.7	75.3	74.6	73.9	73.2	72.7	-4.0	-2.1	-1.9	-1.0	-0.5	-0.2
Japan	255.1	260.1	255.2	251.9	250.6	251.1	156.7	161.5	158.5	155.8	154.0	153.5	-5.6	-6.5	-5.5	-3.6	-2.4	-2.5
United Kingdom	105.2	101.9	104.1	105.9	107.3	108.5	94.1	98.9	99.0	99.6	97.2	96.7	-6.1	-2.2	-2.0	-1.9	-1.5	-1.4

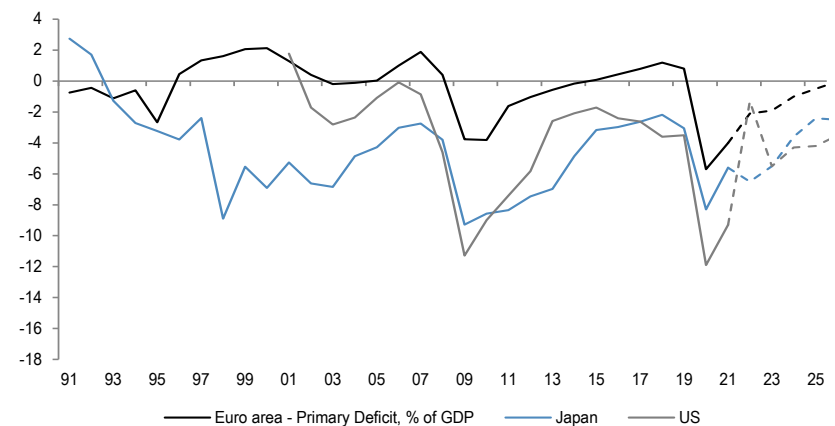
Source: IMF FISCAL MONITOR - October 2023

Fiscal balance, % GDP

	Fiscal balance (% of GDP)						
	US	Japan	Germany	Italy	Spain	France	UK
22	-5.4%	-5.8%	-2.5%	-8.0%	-4.7%	-4.8%	-4.4%
23e	-6.5%	-5.2%	-2.4%	-5.4%	-4.0%	-4.9%	-5.1%
24e	-6.0%	-4.1%	-1.6%	-4.5%	-3.4%	-4.5%	-3.5%
25e	-6.1%	-3.5%	-1.3%	-3.9%	-3.0%	-4.2%	-3.0%

Source: Bloomberg Finance L.P.

US, Eurozone and Japanese primary fiscal balance

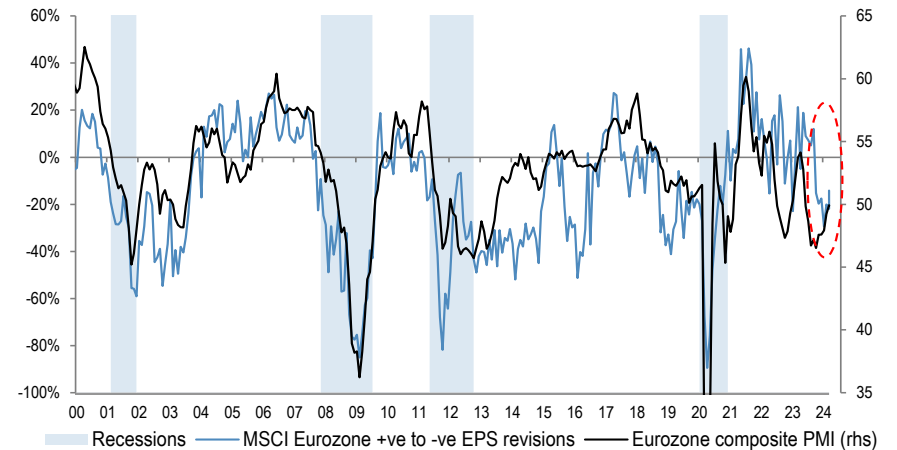


Source: IMF FISCAL MONITOR - October 2023
dotted lines show IMF forecasts

We are not going outright OW Eurozone given the risk of the broader market pullback, and uncertain earnings outlook

- Eurozone EPS revisions remain negative and absent a meaningful rebound in PMIs, they are unlikely to improve sustainably.
- We also note that M1 (money supply), which tends to lead PMIs in the region by 2-3 quarters, suggests that such a bounce in PMIs may not be likely.
- GDP projections are broadly consistent with flattish earnings growth for the region.

Eurozone EPS revisions and composite PMI



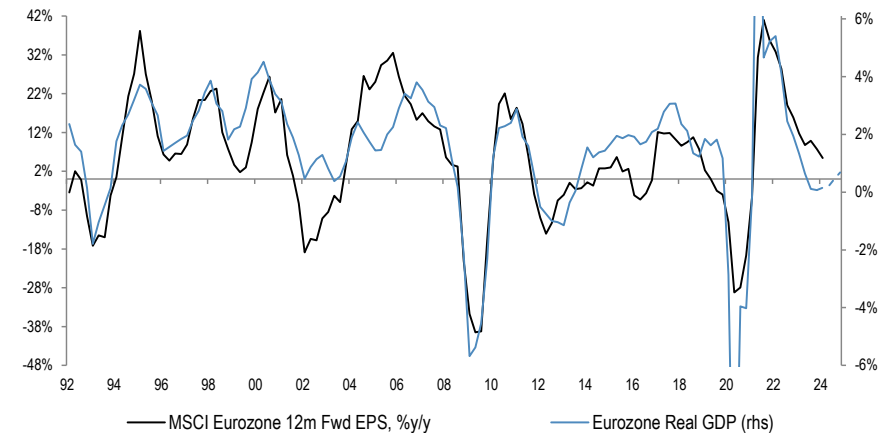
Source: IBES, S&P Global

Eurozone M1 growth (deflated by HICP) vs PMI



Source: Bloomberg Finance L.P. , S&P Global

Eurozone earnings vs GDP growth



Source: Datastream

Eurozone relative performance has in the past tracked bond yields, Value/Growth style

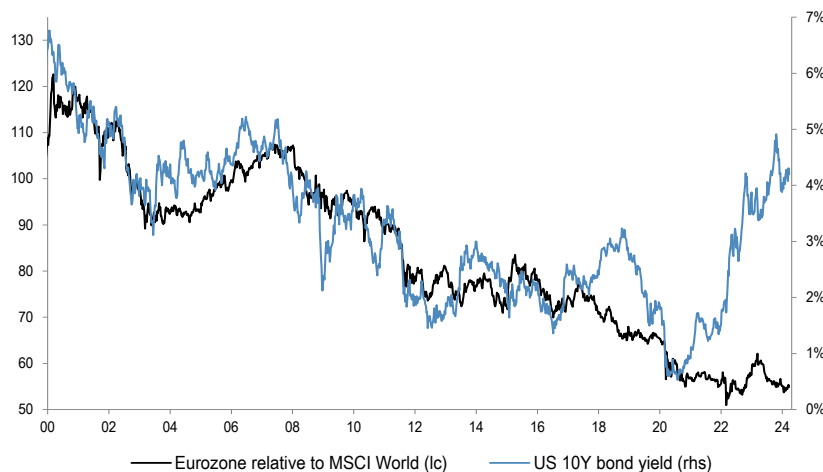
- US is more weighted towards Growth/Quality stocks, which is trading more stretched and is at a risk of reversal.
- Specifically, the Eurozone vs US price differential is leveraged to the relative performance of Tech vs Banks, given the regional sector weight skews.
- We believe growth style will continue to outperform Value especially if bond yields move lower to reflect a more challenged macro-outlook. This remains a headwind to any sustained Eurozone outperformance.

Eurozone vs US and Value vs Growth



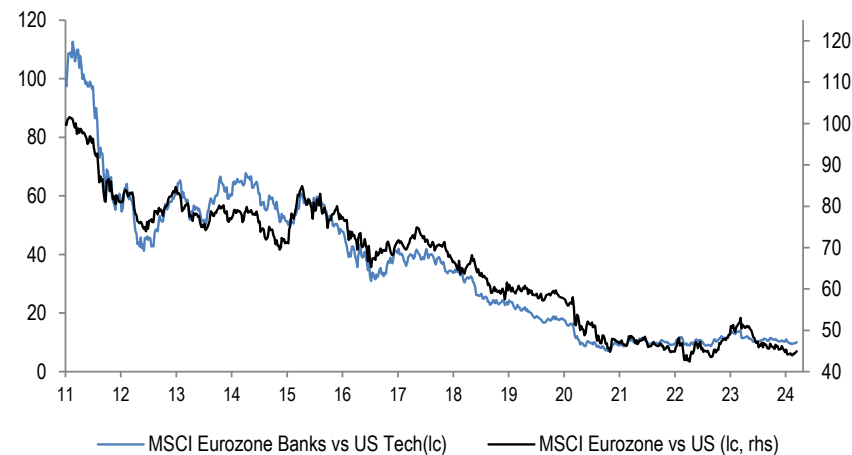
Source: Datastream

Eurozone relative to World and bond yields



Source: Datastream

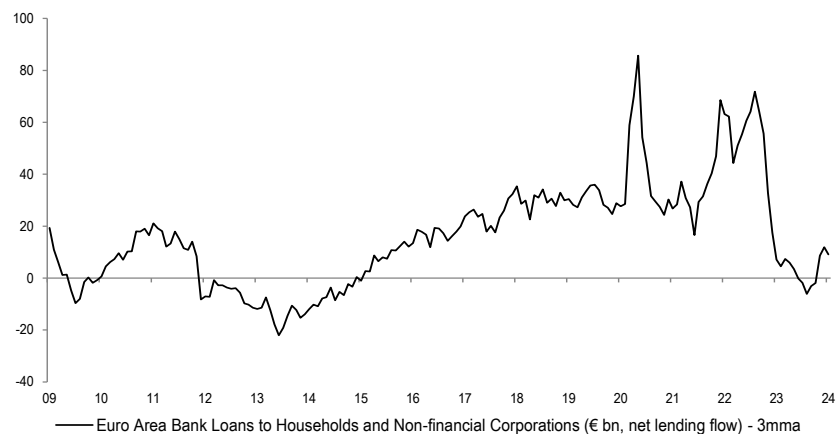
Eurozone vs US and Banks vs Tech



Source: Datastream

ECB remains a backstop against any material widening in peripheral spreads

Eurozone bank loans to HH and nonfinancial corporates



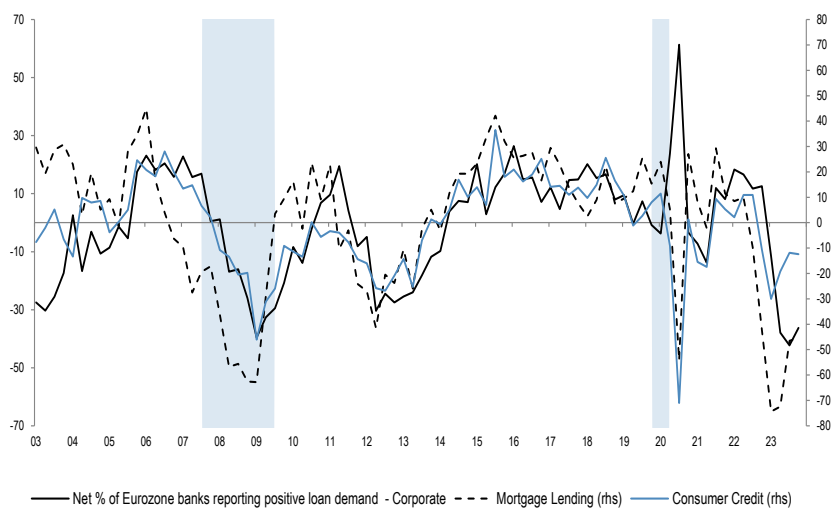
Source: ECB, J.P. Morgan

Peripheral spreads with JPM forecast



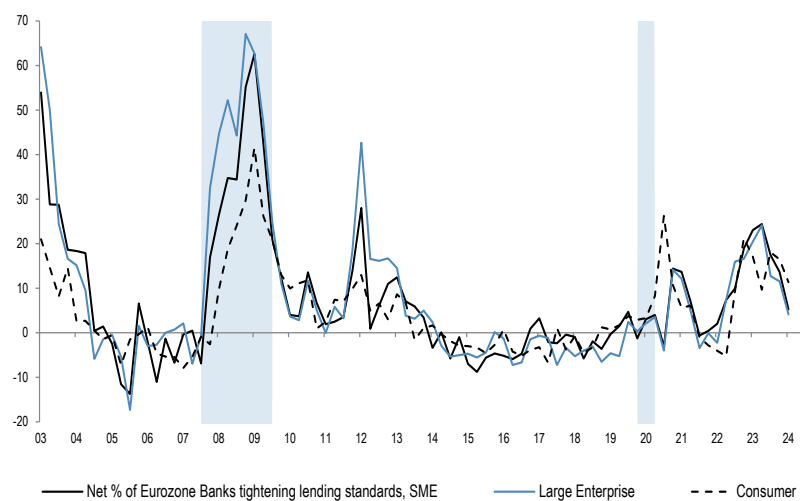
Source: Bloomberg Finance L.P., JPMorgan

% Eurozone banks reporting positive loan demand



Source: ECB

% of Eurozone banks tightening lending standards

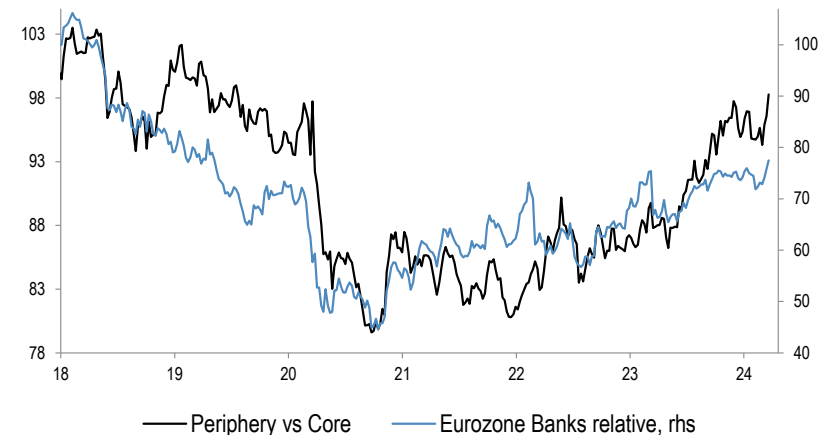


Source: ECB

Within Eurozone, we now prefer core over periphery

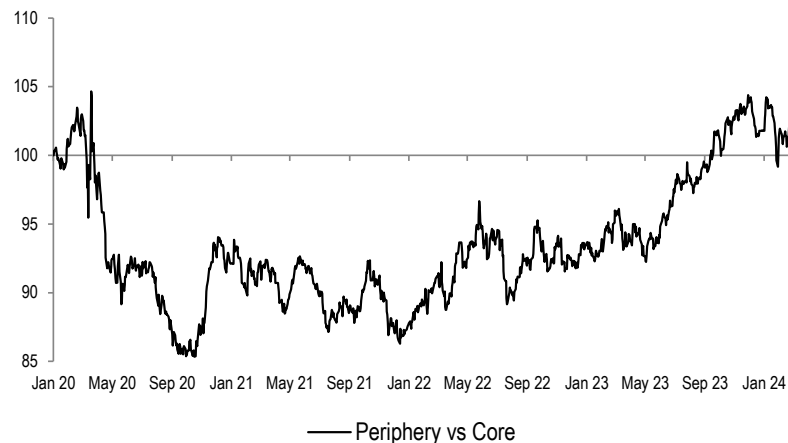
- Given the meaningful weight of Banks in Italy and Spain, performance of Periphery vs Core is closely linked to the performance of Banks relative.
- Periphery has done better than core markets in recent years, but could fall behind if peripheral spreads widen.
- Spanish equities have underperformed Italian equities by almost 15% since 2022 summer and could rebound from here given their more defensive nature, and Latam exposure, which we favour.

Periphery vs Core and Banks relative



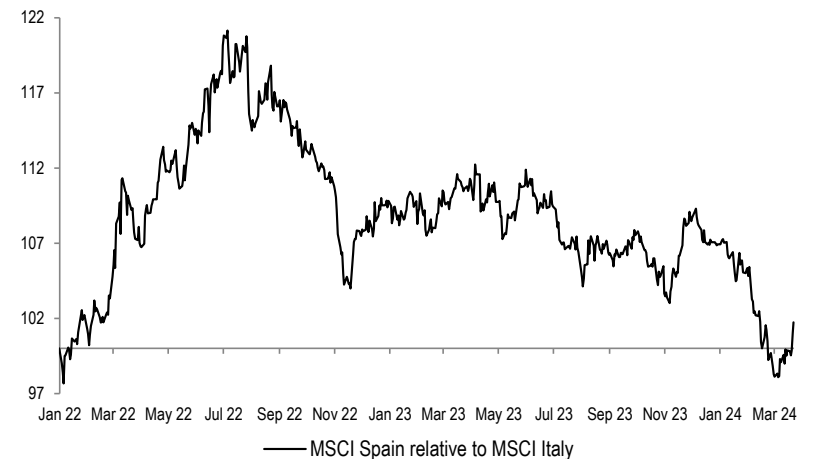
Source: Datastream

Periphery vs Core performance since Jan 2020



Source: Datastream

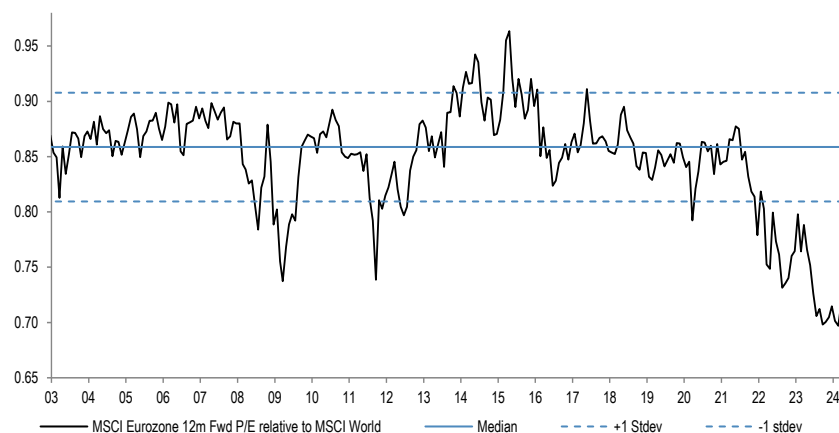
MSCI Spain relative to MSCI Italy



Source: Datastream

Eurozone snapshot

MSCI Eurozone 12m Fwd PE relative to MSCI World



Source: IBES

MSCI Eurozone performance relative to MSCI World



Source: Datastream

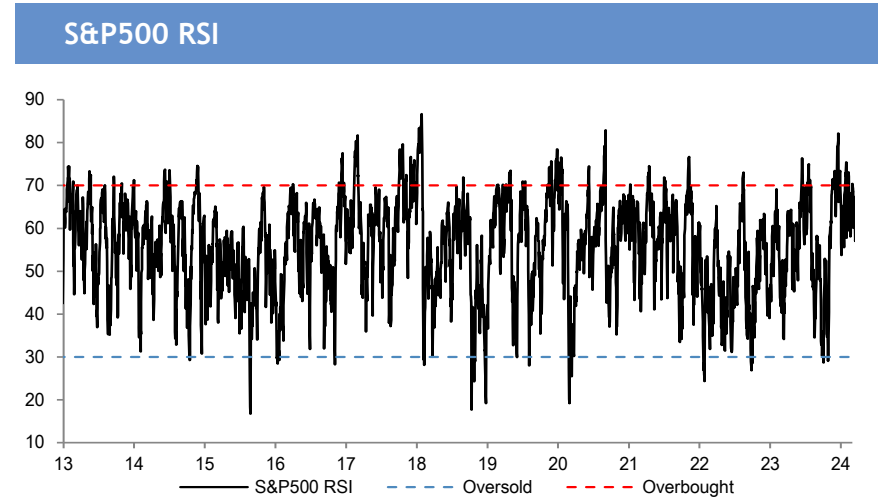
Eurozone Sector snapshot

	YTD Performance, %		Weight in Index		12m Fwd P/E		EPS growth, %	
	YTD Total Return, %		Eurozone	vs MSCI World	Current	vs Median since '03	2024e	2025e
Eurozone	8.9%	9.3%	100%	0%	13.3	10.9%	2.6%	10.0%
Energy	0.9%	2.9%	4%	0%	6.7	-31.1%	-9.8%	1.6%
Materials	4.6%	4.6%	5%	2%	15.5	27.6%	14.7%	19.4%
Industrials	12.1%	12.7%	17%	6%	15.9	20.4%	15.6%	13.0%
Discretionary	13.6%	13.7%	16%	5%	11.3	-7.7%	1.1%	9.3%
Staples	-3.1%	-3.1%	7%	1%	17.0	14.8%	4.0%	10.6%
Healthcare	1.6%	1.6%	7%	-5%	13.3	-6.9%	-2.0%	15.8%
Financials	12.9%	13.3%	18%	3%	7.9	-19.9%	4.9%	6.6%
IT	21.3%	21.5%	14%	-10%	27.3	57.3%	-6.8%	31.4%
Telecoms	3.6%	3.6%	4%	-3%	13.7	18.2%	11.9%	10.9%
Utilities	-7.4%	-6.7%	5%	3%	10.9	-5.1%	-6.9%	-1.0%
Real Estate	-3.4%	-2.2%	1%	-1%	11.6	-24.4%	-2.0%	1.5%
Cyclicals	14.0%	14.3%	38%	13%	15.5	16.9%	5.4%	15.1%
Defensives	-1.7%	-1.5%	24%	-5%	13.5	3.8%	-0.1%	8.5%

Source: IBES, Datastream

4) Neutral US – historical safe haven, but appears stretched and P/Es are at highs...

- We like long duration and defensive Growth for 2024. This would naturally favour the US, but post the strong rally, US equities appear stretched on several positioning and technical indicators.
- Relative valuations are a clear challenge, where the region is trading extremely expensive versus peers, on most measures.



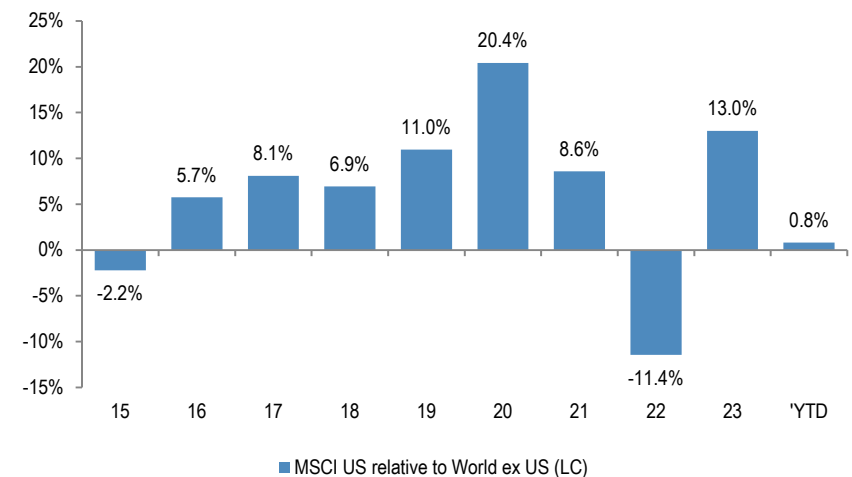
Source: Bloomberg Finance L.P.

MSCI US 12m Fwd. P/E relative



Source: IBES

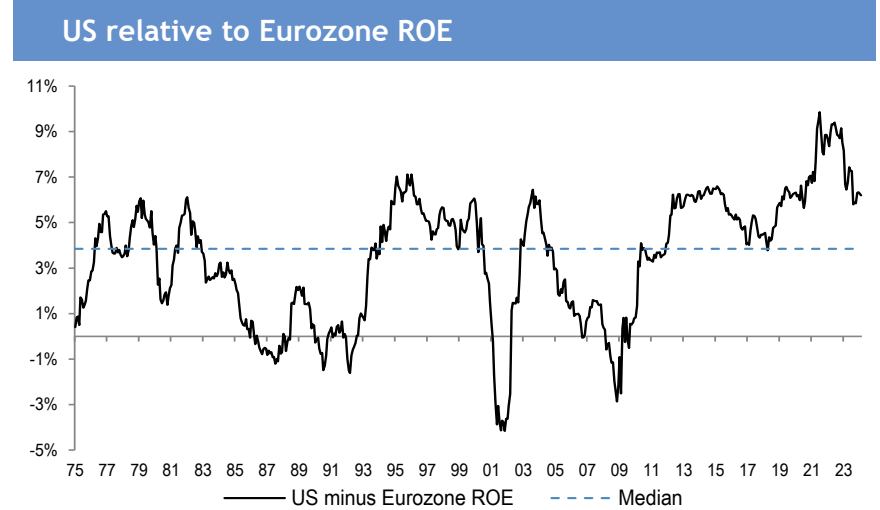
MSCI US relative to MSCI World ex US



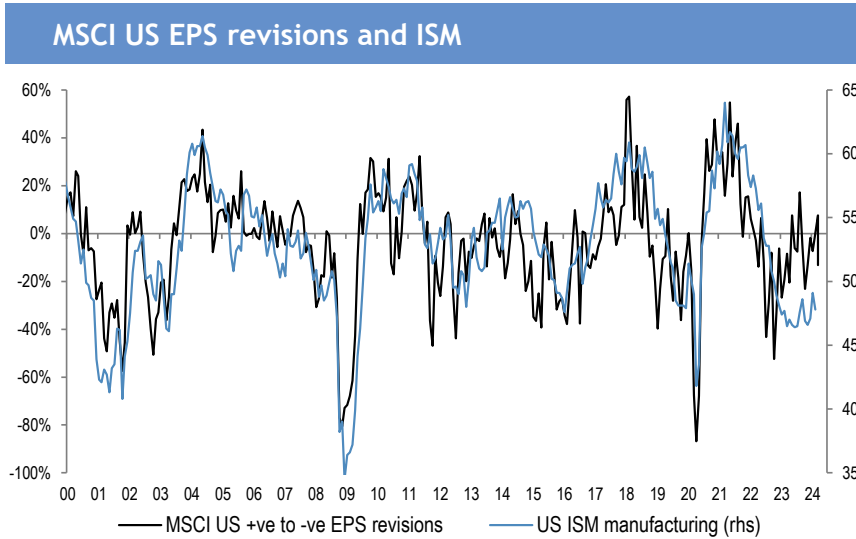
Source: IBES

...relative EPS outperformance is likely peaking...

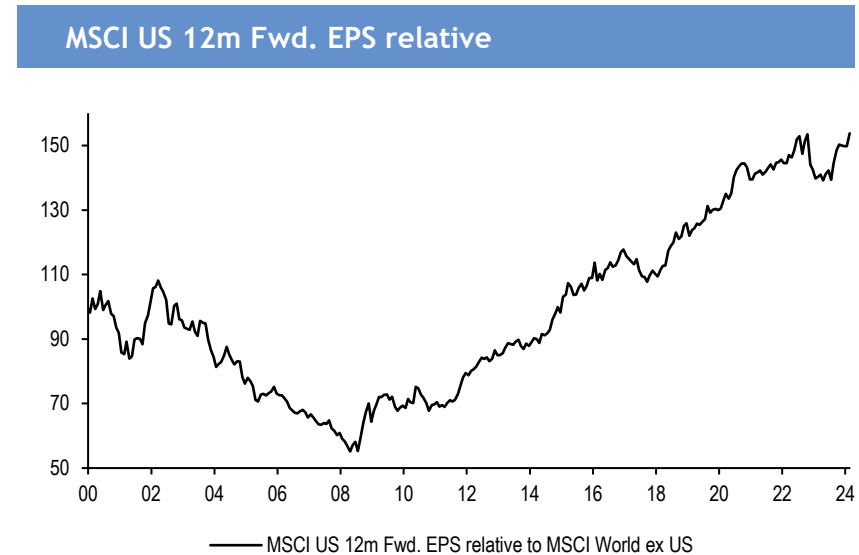
- US profitability vs the rest of the world might be peaking. The earnings base is very extended, too.
- US earnings revisions display a clear correlation to activity momentum and are likely to keep falling as ISM stays weak.



Source: Datastream



Source: IBES, S&P Global

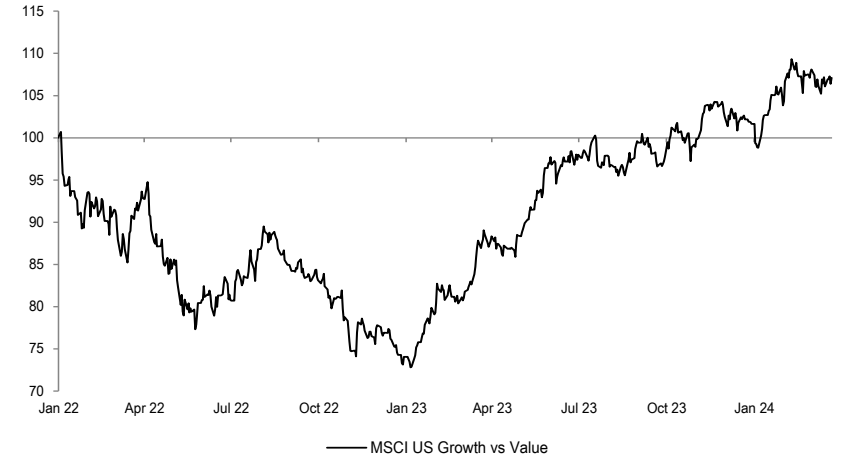


Source: IBES

...US equities exhibit a significant Growth tilt, which was a help so far, but there is a risk of concentration unwind

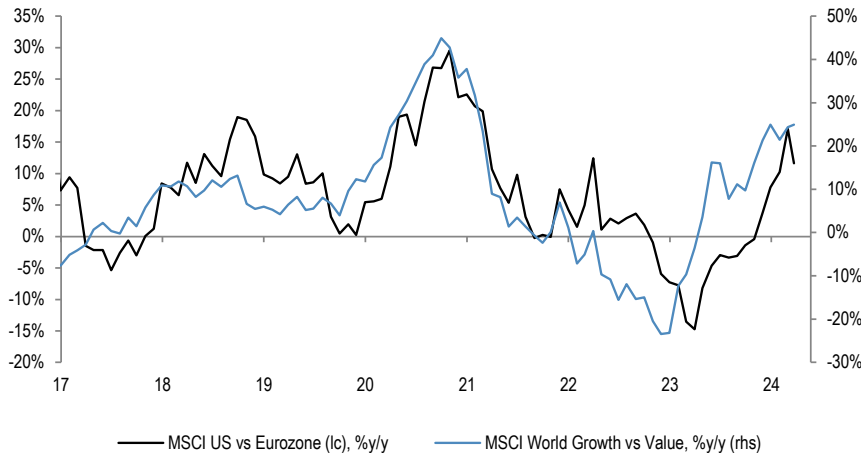
- We neutralized our preference for the US vs Eurozone, as the US is heavily tilted towards Growth/Quality style, which is now trading stretched, and we are not comfortable that US will be a runaway outperformer in a global context, from the starting point such as current levels.

US Growth vs Value



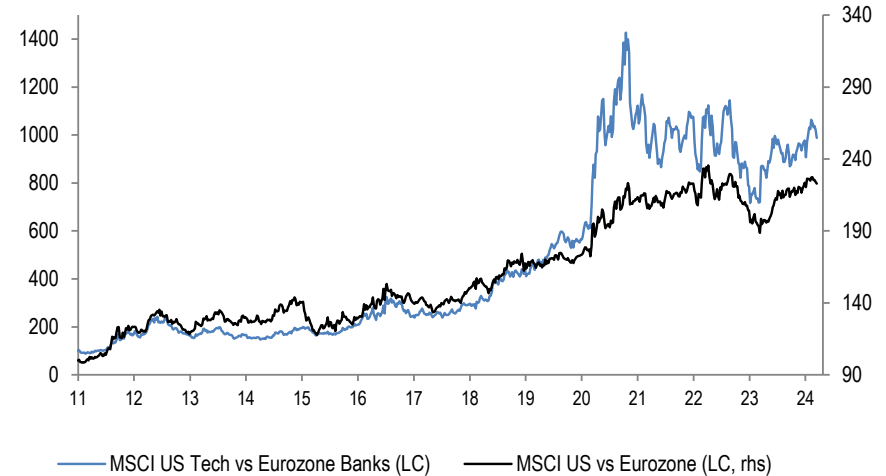
Source: J.P. Morgan

Growth vs Value and US vs Eurozone



Source: Bloomberg Finance L.P.

US vs Eurozone and Tech vs Banks

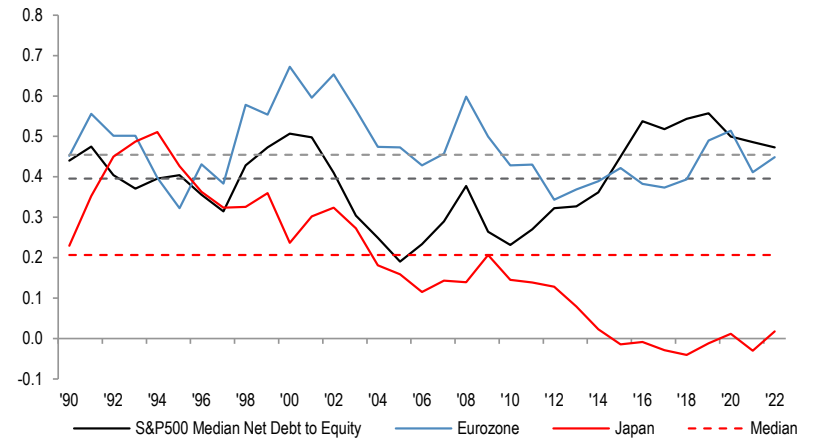


Source: Bloomberg Finance L.P.

Government and corporate leverage is elevated

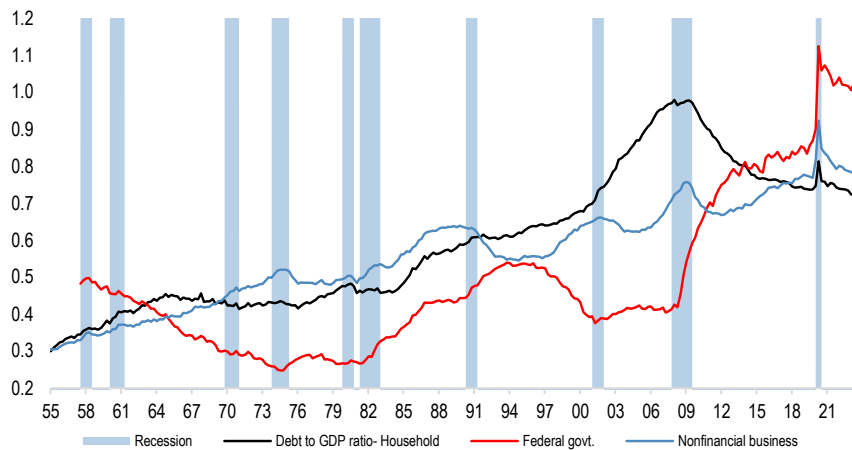
- US corporate and government leverage is elevated.

Median net debt to equity of US, Europe and Japan



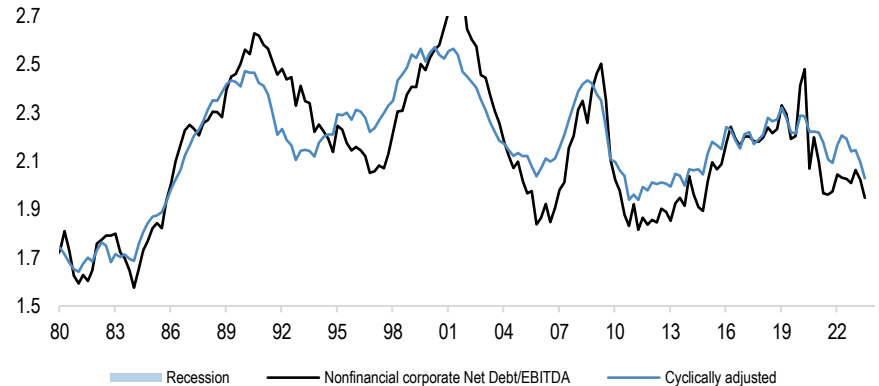
Source: Worldscope

US debt, share of GDP



Source: J.P. Morgan

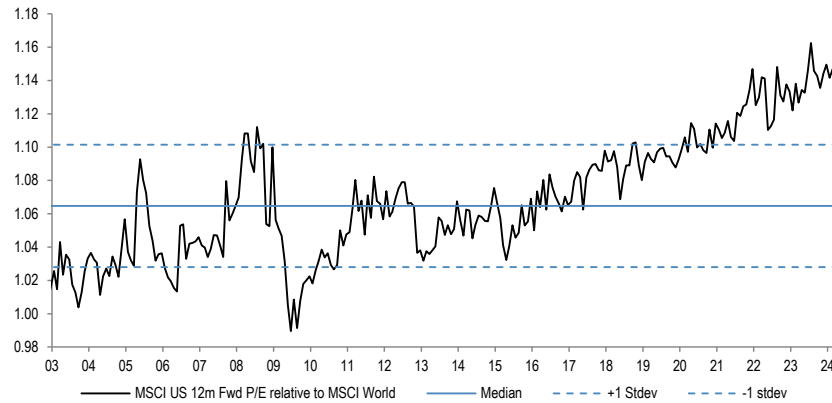
US nonfinancial corporate leverage



Source: J.P. Morgan

US snapshot

MSCI US 12m Fwd PE relative to MSCI World



Source: IBES

MSCI US performance relative to MSCI World



Source: Datastream

US Sector snapshot

	YTD Perf, %	YTD Total Return, %	Weight in Index		12m Fwd P/E		EPS growth, %	
			US	vs MSCI World	Current	vs Median since '06	2024e	2025e
US	9.6%	10.0%	100.0%	0.0%	21.4	34.7%	9.8%	13.9%
Energy	9.9%	10.8%	3.7%	-0.5%	12.8	0.1%	-12.1%	12.0%
Materials	6.6%	7.1%	2.3%	-1.5%	20.6	33.7%	-2.1%	15.3%
Industrials	10.1%	10.5%	8.9%	-2.2%	22.0	35.6%	9.4%	13.3%
Discretionary	4.3%	4.5%	10.6%	-0.3%	26.1	38.7%	13.2%	16.6%
Staples	5.9%	6.6%	5.8%	-0.7%	19.9	13.1%	4.0%	8.5%
Healthcare	6.6%	7.0%	12.3%	0.3%	18.9	18.5%	15.0%	12.9%
Financials	10.4%	10.9%	12.8%	-2.3%	15.6	23.7%	7.4%	12.0%
IT	13.4%	13.6%	30.1%	6.0%	29.0	70.7%	16.4%	18.5%
Telecoms	15.4%	15.6%	8.9%	1.5%	19.6	25.3%	18.5%	13.9%
Utilities	1.8%	2.7%	2.1%	-0.3%	15.7	-1.8%	12.6%	7.6%
Real Estate	-4.4%	-3.7%	2.4%	0.1%	36.0	-6.0%	-1.6%	10.9%
Cyclicals	10.6%	10.8%	21.9%	-3.9%	26.4	54.1%	12.9%	16.7%
Defensives	8.7%	9.1%	29.1%	0.7%	19.0	16.5%	13.5%	11.8%

Source: IBES, Datastream

5) Neutral EM vs DM: on higher for longer Fed and potentially strong USD...

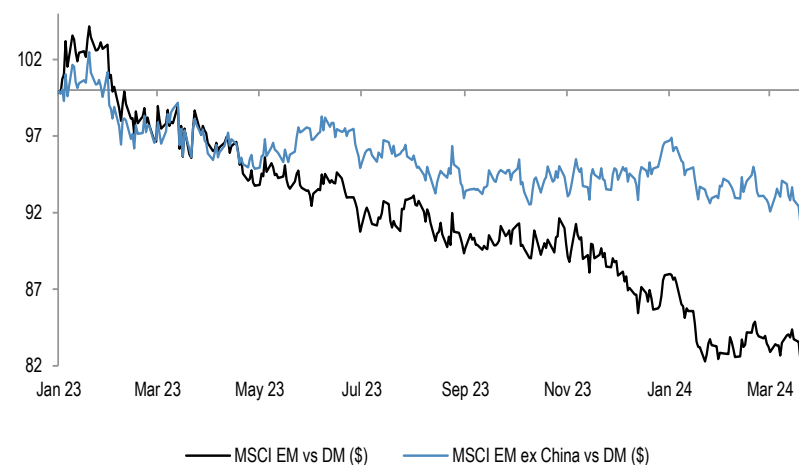
- EM equities have underperformed DM by over 10% last year and has continued to underperform this year as well. Even if one were to take China out of the equation, EM has struggled to beat DM equities. A better entry point could be coming up for EM sometime in 2024.
- Historically, Chinese equities and EM shared a strong directional consistency vs DM, even as China was not a big share of the index until a few years ago. Returns delivered by China over DM and EM over DM have diverged only 25% of the time.
- Earnings revisions continue to be negative for EM.

EM ex China and China vs DM - historical performance

Scenario	% times	EM ex China vs DM, % average	China vs DM, % average
EM ex China and China outperform DM	38%	3%	5%
EM ex China and China underperform DM	38%	-3%	-5%
EM ex China outperforms DM and China underperform DM	12%	1%	-2%
EM ex China underperforms DM and China outperforms DM	12%	-1%	3%

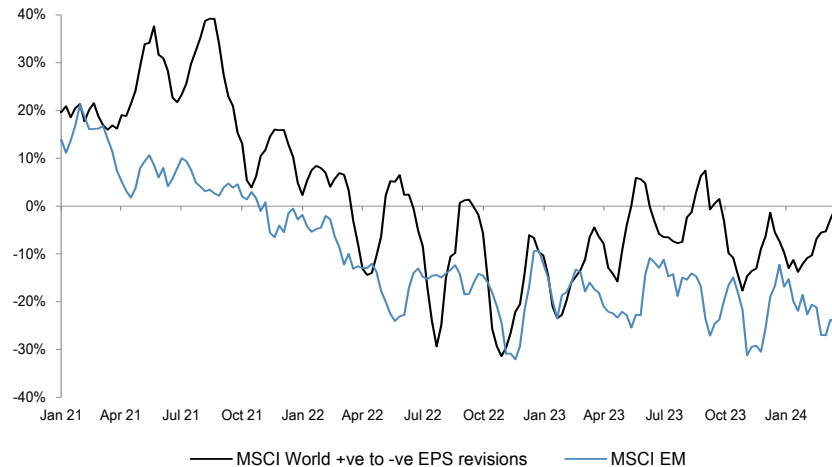
Source: Datastream

EM vs DM and EM ex China vs DM



Source: Datastream

EM vs DM EPS revisions

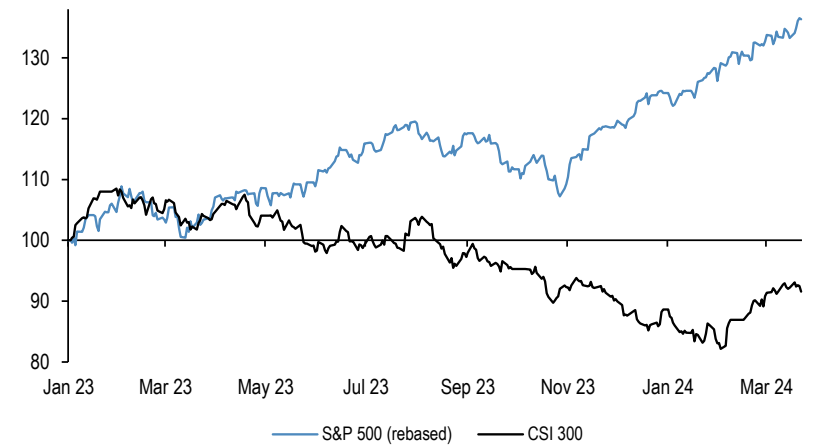


Source: IBES

...within this, we have a tactical buy China call, which follows a year of significant underperformance...

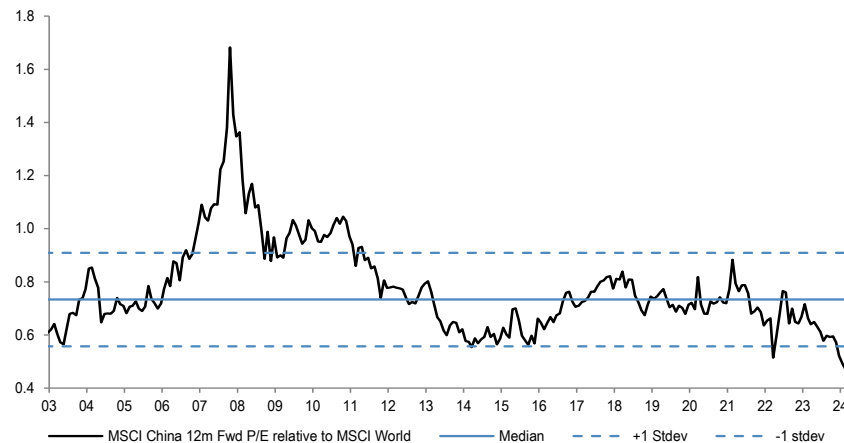
- Tactically, we think China could trade better in the near term given the strong underperformance. The region has underperformed meaningfully, positioning is light, and several supportive policy measures have started to come through.
- Chinese equities are looking attractive and could trade better in the short term.
- Longer term, a number of structural overhangs could remain significant for the region.

SPX vs CSI



Source: Datastream

MSCI China 12m Fwd PE relative



Source: IBES

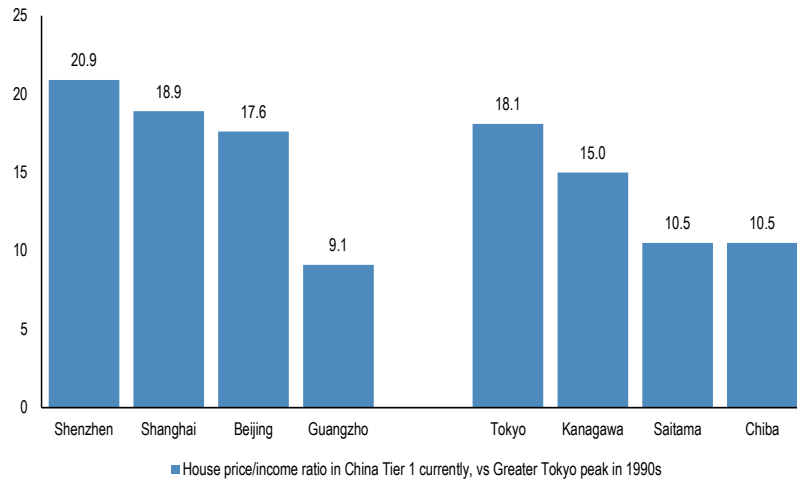
MSCI China



Source: Bloomberg Finance L.P.

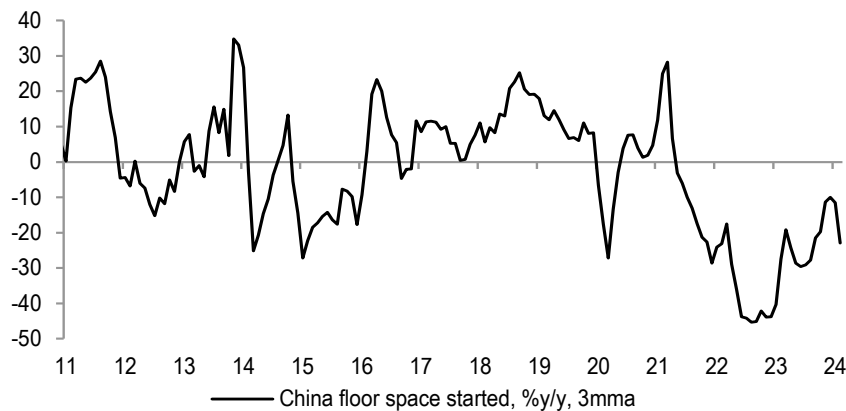
...medium term though, real estate and deflationary concerns remain

House price to income ratio in China Tier 1 cities, vs Japan in 1990s



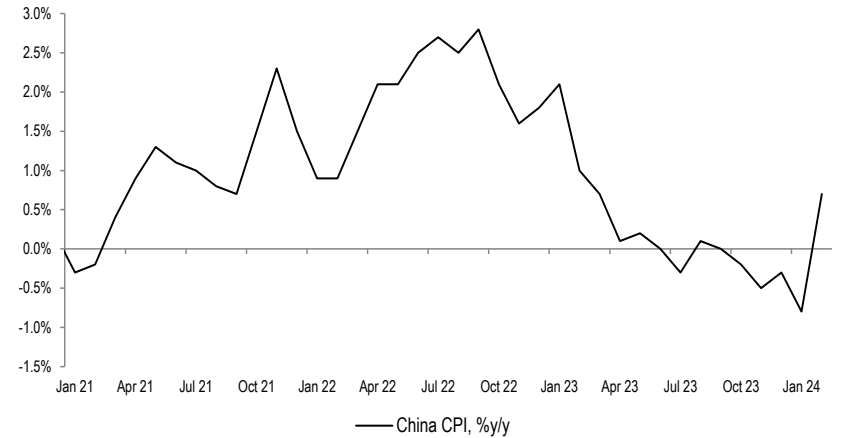
Source: J.P. Morgan China Strategy

China floor space started



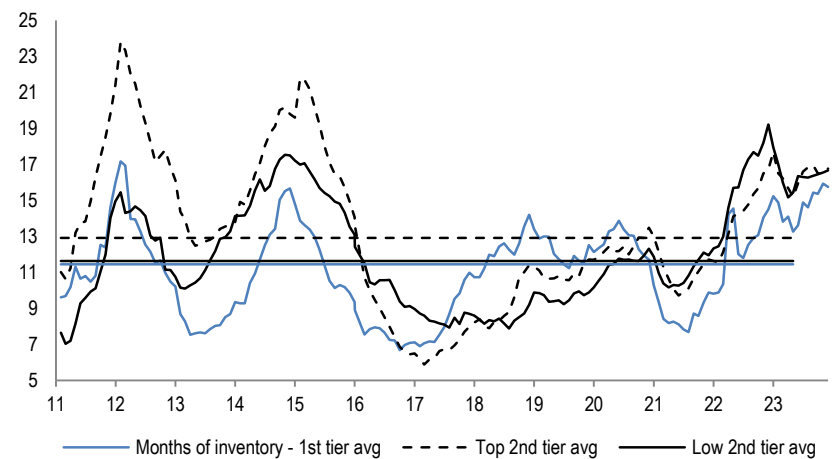
Source: JPM China Economics Research

China CPI



Source: Bloomberg Finance L.P.

China property inventory



Source: Soufun, CREIS

China heat map

Chinese data watch

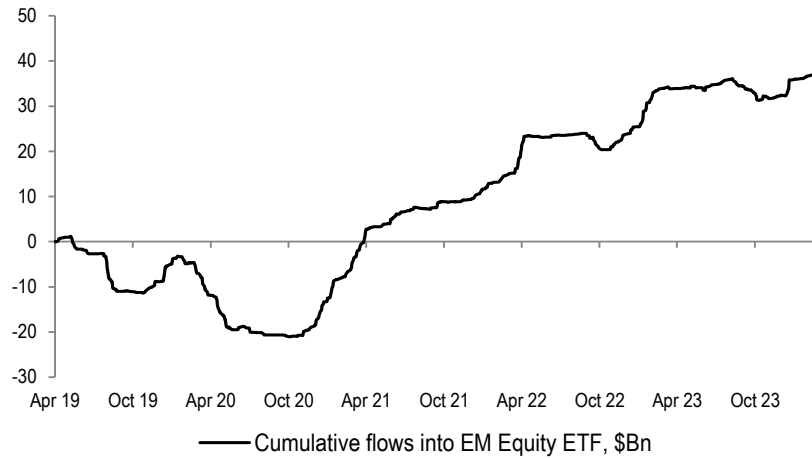
	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24
Manufacturing PMI														
Caixan	49.2	51.6	50.0	49.5	50.9	50.5	49.2	51.0	50.6	49.5	50.7	50.8	50.8	50.9
NBS	50.1	52.6	51.9	49.2	48.8	49.0	49.3	49.7	50.2	49.5	49.4	49.0	49.2	49.1
Services PMI														
Caixan	52.9	55.0	57.8	56.4	57.1	53.9	54.1	51.8	50.2	50.4	51.5	52.9	52.7	52.5
NBS	54.4	56.3	58.2	56.4	54.5	53.2	51.5	51.0	51.7	50.6	50.2	50.4	50.7	51.4
Composite PMI - Caixan														
	51.1	54.2	54.5	53.6	55.6	52.5	51.9	51.7	50.9	50.0	51.6	52.6	52.5	52.5
Industry														
Electricity Production, %oya	-	-	5.1%	6.1%	5.6%	2.8%	3.6%	1.1%	7.7%	5.2%	8.4%	8.0%		
IP, %oya	-	-	3.9%	5.6%	3.5%	4.4%	3.7%	4.5%	4.5%	4.6%	6.6%	6.8%		
FAI, %oya	-	5.5%	5.1%	4.7%	4.0%	3.8%	3.4%	3.2%	3.1%	2.9%	2.9%	3.0%	4.2%	
Consumer Activity														
Retail Sales, %oya	-	-	10.6%	18.4%	12.7%	3.1%	2.5%	4.6%	5.5%	7.6%	10.1%	7.4%		
Passenger Car Sales, %yoy	-32.8%	11.1%	8.2%	87.7%	26.4%	2.1%	-3.4%	6.9%	6.7%	11.5%	25.5%			
70-city house price index, %oya	-2.3%	-1.9%	-1.4%	-0.7%	-0.5%	-0.4%	-0.6%	-0.6%	-0.6%	-0.6%	-0.7%	-0.9%	-1.2%	-1.9%
Liquidity & Monetary Conditions														
M2, %oya	12.6%	12.9%	12.7%	12.4%	11.6%	11.3%	10.7%	10.6%	10.3%	10.3%	10.0%	9.7%	8.7%	8.7%
FX Reserves (bln yuan)	3184	3133	3184	3205	3177	3193	3204	3160	3115	3101	3172	3238	3219	3226
New Loan Creation (bln yuan)	4900	1812	3890	719	1360	3050	346	1358	2312	738	1089	1171	4920	1456

Source: J.P. Morgan, Bloomberg Finance L.P., S&P Global, NBS

EM valuations are on the cheap side of fair value

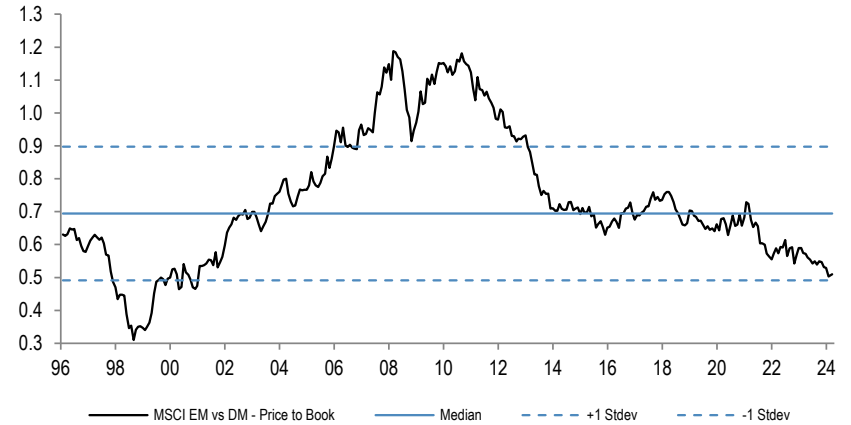
- We note MSCI EM is trading on the cheap side of fair value, relative to DM.
- There has been a steady increase in fund flows into EM over the last three years.

Flows into EM equity ETFs



Source: J.P. Morgan

MSCI EM vs DM Price to Book

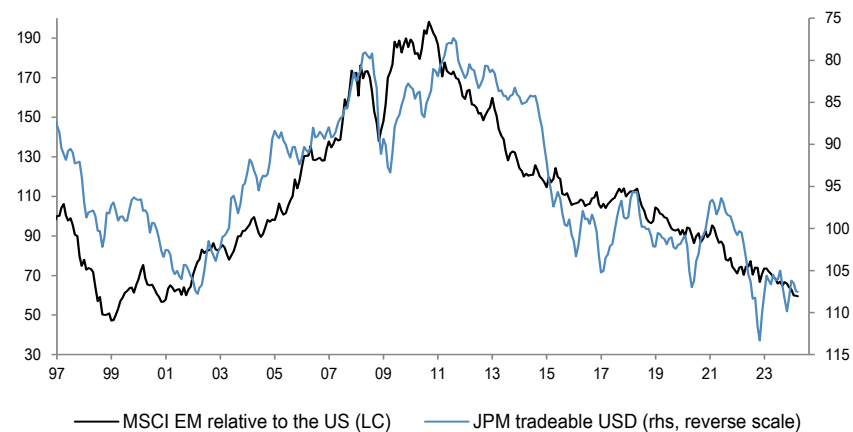


Source: IBES

The one key driver of EM remains the USD... we worry the period of weakening USD is behind us

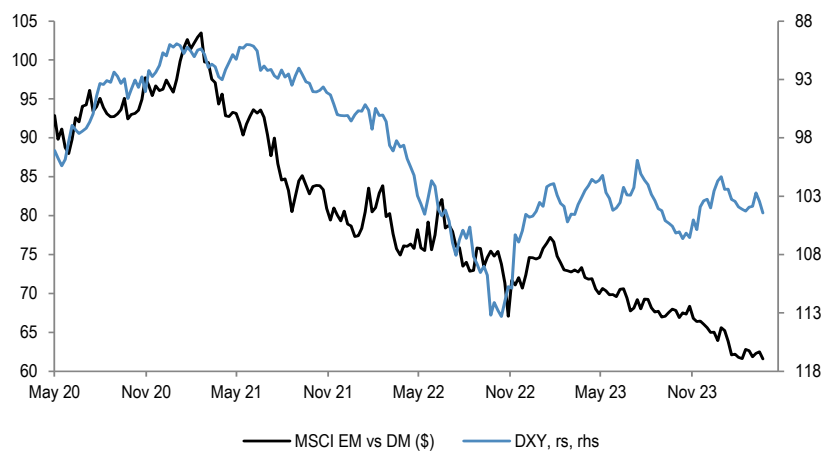
- FX is an important consideration for EM equity performance. One needs USD to fall in order for EM to perform better. Some of these conditions could be coming through this year, particularly when the Fed starts cutting rates.

EM relative performance and USD in the long term



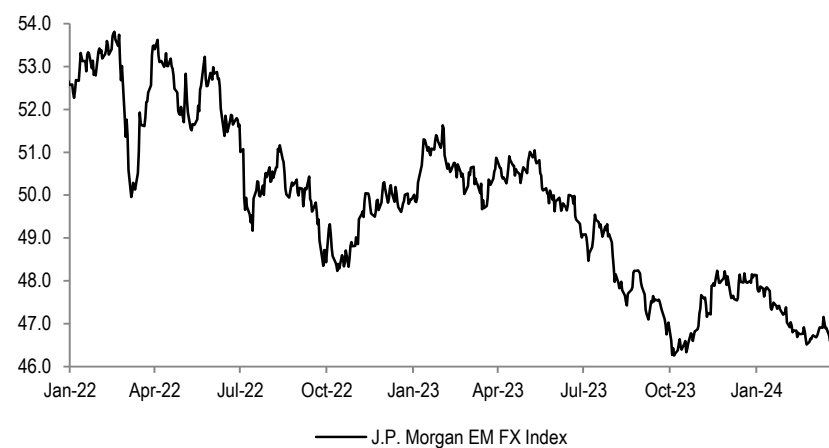
Source: Datastream

MSCI EM vs DM and DXY



Source: Datastream, J.P. Morgan

J.P. Morgan EM FX Index



Source: Bloomberg Finance L.P.

Within EM, our EM strategists are constructive on Brazil, China, India, Saudi, Indonesia, Thailand, and Mexico

- Brazil – Growth should improve post rate-cuts; Fed easing should add foreign inflows; Attractive valuations with higher earnings revisions.
- China – Positioning for tactical rally on policy stimulus, low investor positioning and attractive valuations; Secondary property prices may stabilize in 2H24.
- India – Attractive risk-adjusted returns to DM; positive seasonality into elections; Constructive structural trends; Potential inflows from bond index inclusion.
- Saudi Arabia – Strong structural growth story; Falling bond yields; Increase in positioning of EM funds; Government support for small cap companies; Large companies investing in strategic projects abroad.
- Indonesia – Continuation of key policy following election results; Rate reversal cycle materializing in 2H24; Nickel exports to boost current account transformation; Structural tailwinds in energy transition and EV ecosystem.
- Thailand – Surge in tourism; Constructive FDI inflows; Easing of policy rate materializing; Positive signs from EV supply chain development and bank's asset quality.
- Mexico – Top-down fundamentals remain supportive; Attractive valuations and upward earnings revisions; Soft-landing in US with near shoring trend creates positive optionality.

EM Countries' Rating and Performance Snapshot

	Weight in MSCI EM	JPM Rating	YTD performance	
			L.C	US\$
CHINA	26%	OW	-2.1%	-2.5%
INDIA	18%	OW	4.7%	4.4%
TAIWAN (CHINA)	17%	N	16.6%	12.0%
KOREA	13%	N	4.9%	1.0%
BRAZIL	5%	OW	-6.7%	-9.2%
SAUDI ARABIA	4%	OW	5.3%	5.3%
SOUTH AFRICA	3%	UW	-6.1%	-9.5%
MEXICO	3%	OW	-2.5%	-1.3%
INDONESIA	2%	OW	4.2%	1.6%
THAILAND	2%	OW	-2.7%	-8.7%
MALAYSIA	1%	UW	4.5%	1.4%
POLAND	1%	N	2.1%	0.7%
TURKEY	1%	N	23.9%	14.2%
PHILIPPINES	1%	UW	6.9%	5.2%
CHILE	0%	N	5.1%	-6.5%
MSCI EM			3.5%	1.5%

Source: Datastream, J.P. Morgan

'24e, '25e EPS growth for key EM countries

	EPS growth	
	24e	25e
CHINA	13%	14%
INDIA	14%	15%
TAIWAN (CHINA)	20%	21%
KOREA	77%	27%
BRAZIL	3%	5%
SAUDI ARABIA	20%	15%
SOUTH AFRICA	6%	17%
MEXICO	31%	12%
INDONESIA	8%	10%
THAILAND	14%	15%
MALAYSIA	13%	7%
POLAND	-16%	13%
TURKEY	7%	29%
PHILIPPINES	11%	10%
CHILE	16%	1%
MSCI EM	17%	16%

Source: IBES

EM snapshot

MSCI EM countries valuations and performance

	Weight in MSCI EM	YTD Perf		12m Fwd P/E			P/Book			EPS growth	
		L.C	US\$	Current	10Y median	relative	Current	10Y median	relative	24e	25e
CHINA	26%	-2.1%	-2.5%	9.2	11.2	-17%	1.2	1.6	-26%	13%	14%
	18%	4.7%	4.4%	22.2	18.2	22%	4.0	3.2	27%	14%	15%
INDIA	17%	16.6%	12.0%	17.5	13.8	26%	2.8	1.9	44%	20%	21%
TAIWAN (CHINA)	13%	4.9%	1.0%	11.2	10.1	11%	1.1	1.0	12%	77%	27%
KOREA	5%	-6.7%	-9.2%	7.7	10.8	-29%	1.5	1.6	-7%	3%	5%
BRAZIL	4%	5.3%	5.3%	17.9	16.9	6%	2.4	2.0	23%	20%	15%
SAUDI ARABIA	3%	-6.1%	-9.5%	9.3	13.2	-30%	1.5	2.1	-29%	6%	17%
SOUTH AFRICA	3%	-2.5%	-1.3%	12.3	14.8	-17%	2.2	2.2	-2%	31%	12%
MEXICO	2%	4.2%	1.6%	13.8	14.7	-6%	2.3	2.7	-13%	8%	10%
INDONESIA	2%	-2.7%	-8.7%	16.1	15.1	7%	1.7	2.0	-18%	14%	15%
THAILAND	1%	4.5%	1.4%	13.9	15.4	-10%	1.4	1.7	-14%	13%	7%
MALAYSIA	1%	-1.0%	-1.0%	9.3	11.1	-16%	1.5	1.6	-6%	-9%	3%
POLAND	1%	2.1%	0.7%	9.8	11.5	-15%	1.2	1.3	-1%	-16%	13%
PHILIPPINES	1%	6.9%	5.2%	12.5	16.9	-26%	1.9	2.2	-14%	11%	10%
TURKEY	1%	23.9%	14.2%	4.8	6.3	-25%	1.9	1.3	55%	7%	29%
CHILE	0%	5.1%	-6.5%	9.0	14.7	-39%	1.3	1.6	-18%	16%	1%

EM Sector snapshot

	YTD Perf, %		Weight in Index		12m Fwd P/E		EPS growth, %	
	YTD Total return, %		EM	vs MSCI World	Current	vs Median since '03	2024e	2025e
EM	1.4%	1.9%	100%	0%	12.0	6%	17%	16%
Energy	4.6%	5.1%	5%	1%	8.6	10%	-13%	2%
Materials	-6.4%	-5.8%	7%	3%	12.3	18%	29%	22%
Industrials	0.8%	1.0%	7%	-4%	13.2	9%	21%	17%
Discretionary	-1.0%	-0.6%	13%	2%	12.4	0%	15%	19%
Staples	-4.7%	-4.5%	6%	-1%	19.9	0%	27%	16%
Healthcare	-4.6%	-4.5%	4%	-8%	25.7	26%	20%	28%
Financials	1.8%	2.5%	23%	8%	7.9	-12%	10%	9%
IT	8.8%	9.1%	23%	-2%	17.7	35%	55%	31%
Telecoms	-1.2%	-1.0%	9%	1%	14.6	5%	13%	15%
Utilities	3.7%	4.2%	3%	0%	10.9	-3%	44%	11%
Real Estate	-6.6%	-6.1%	2%	-1%	9.7	33%	28%	17%
Cyclicals	2.7%	3.1%	49%	-1%	14.4	19%	31%	23%
Defensives	-2.2%	-2.0%	21%	-8%	16.4	6%	22%	16%

Source: IBES, Datastream

Regional and Asset Allocation, with Index targets

Global All country Regional Allocation				
	MSCI Weight	Allocation	Deviation	Recommendation
EM	10.6%	10.0%	-0.6%	Neutral
DM	89.4%	90.0%	0.6%	Neutral
	100.0%	100.0%	0.0%	Balanced

Global Developed Regional Allocation				
	MSCI Weight	Allocation	Deviation	Recommendation
US	70.9%	68.0%	-2.9%	Neutral
Japan	6.2%	8.0%	1.8%	Overweight
Eurozone	8.6%	8.0%	-0.6%	Neutral
UK	3.8%	6.0%	2.2%	Overweight
Others*	10.5%	10.0%	-0.5%	Neutral
	100.0%	100.0%	0.0%	Balanced

European Regional Allocation				
	MSCI Weight	Allocation	Deviation	Recommendation
Eurozone	51.0%	48.0%	-3.0%	Neutral
United Kingdom	22.6%	25.0%	2.4%	Overweight
Others**	26.5%	27.0%	0.5%	Overweight
	100.0%	100.0%		Balanced

Asset Allocation				
	Benchmark weighting	Allocation	Deviation	Recommendation
Equities	60%	55%	-5%	Underweight
Bonds	30%	35%	5%	Overweight
Cash	10%	10%	0%	Neutral
	100%	100%	0%	Balanced

Source: MSCI, J.P. Morgan, Datastream. All regional recommendations are currency hedged.

**Others include Denmark, Norway, Sweden and Switzerland

*Others include Australia, Canada, Singapore, Hong Kong SAR, Denmark, Norway, Sweden and Switzerland

Note: Our Overweight/Underweight recommendations reflect our belief that the relevant region will out- / underperform the index over the next 6 to 12 months.

***Targets and growth estimates from our regional strategists

Year end Index Targets		
	Dec '24 Target	% upside*
MSCI Eurozone	256	-14%
FTSE 100	7700	-3%

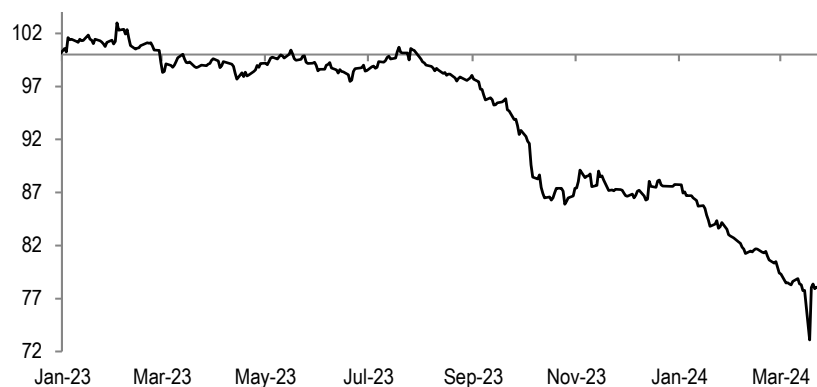
Source: J.P. Morgan, Datastream. *As of COB 27th Mar 2024

Key Global Sector Calls	
Sector	JPM Recommendation
Healthcare	Overweight
Telecoms	Overweight
Food, Beverage & Tobacco	Overweight
Real Estate	Overweight
Utilities	Overweight
Technology	Neutral
Discretionary	Neutral
Mining	Neutral
Transportation	Neutral
Capital Goods ex A&D	Underweight
Food & Drug Retail	Underweight
Autos	Underweight
Banks	Underweight

Themes and Baskets: 1) Losers of Higher financing costs

- Our basket of European companies sensitive to increasing financing costs is set to stay under pressure as higher interest rates bite. These stocks have a larger than typical share of revenue growth tied to the availability of cheap financing and have elevated leverage ratios.

JPM European losers of high financing costs basket relative



— Losers of high financing cost basket relative to Stoxx 600

Source: Bloomberg Finance L.P., J.P. Morgan

JPM European losers of higher financing costs - JPDEHFCL

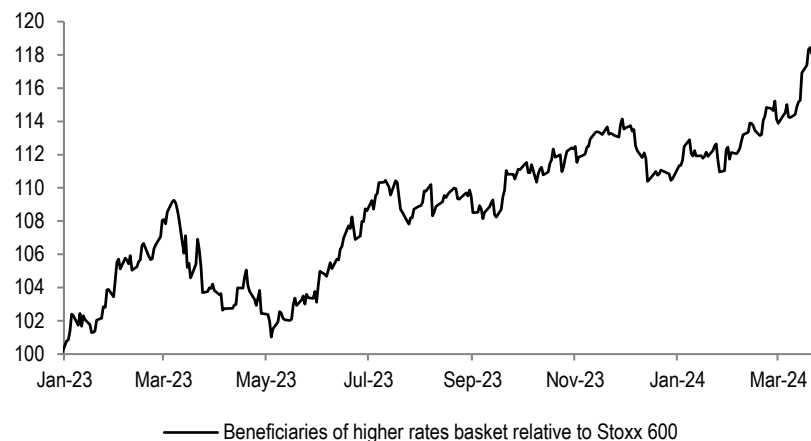
Name	Ticker	Sector	ND/EBITD A 2024e
Ocado Group PLC	OCDO LN	Staples	9.5
United Utilities Group PLC	UU/ LN	Utilities	8.8
Severn Trent PLC	SVT LN	Utilities	7.4
National Grid PLC	NG/ LN	Utilities	6.5
Cellnex Telecom SA	CLNX SM	Comm. Svcs	6.2
Snam SpA	SRG IM	Utilities	6.1
Enagas SA	ENG SM	Utilities	5.1
Infrastrutture Wireless Italia	INW IM	Comm. Svcs	4.6
Grifols SA	GRF SM	Health care	4.1
Redeia Corp SA	RED SM	Utilities	4.0
Fresenius SE & Co KGaA	FRE GR	Health care	3.6
LANXESS AG	LXS GR	Materials	3.3
Wizz Air Holdings Plc	WIZZ LN	Industrials	3.0
Fresenius Medical Care AG	FME GR	Health care	2.9
Nexi SpA	NEXI IM	Financials	2.9
Bayer AG	BAYN GR	Health care	2.8
Fluidra SA	FDR SM	Industrials	2.8
Diageo PLC	DGE LN	Staples	2.7
Pernod Ricard SA	RI FP	Staples	2.7
Anheuser-Busch InBev SA/NV	ABI BB	Staples	2.7
Coca-Cola HBC AG	CCH LN	Staples	2.7
Akzo Nobel NV	AKZA NA	Materials	2.5
Givaudan SA	GIVN SW	Materials	2.5
British American Tobacco PLC	BATS LN	Staples	2.4
Electrolux AB	ELUXB SS	Discretionary	2.4
Alstom SA	ALO FP	Industrials	2.3
ams-OSRAM AG	AMS SW	IT	2.2
Ashtead Group PLC	AHT LN	Industrials	2.2
Koninklijke Philips NV	PHIA NA	Health care	2.0
Eurofins Scientific SE	ERF FP	Health care	2.0
DSV A/S	DSV DC	Industrials	1.4
Valeo SE	FR FP	Discretionary	1.2

Source: Bloomberg Finance L.P., J.P. Morgan, all stocks are liquidity weighted in the basket

2) Winners of higher rates

- Stocks in our winners of higher rates basket tend to be cash rich, and earn more interest than they pay as interest expense, thereby benefitting in an environment of higher yields.

JPM European beneficiaries of higher rates basket relative



Source: Bloomberg Finance L.P., J.P. Morgan

JPM European net beneficiaries of higher rates- JPDEHFCW

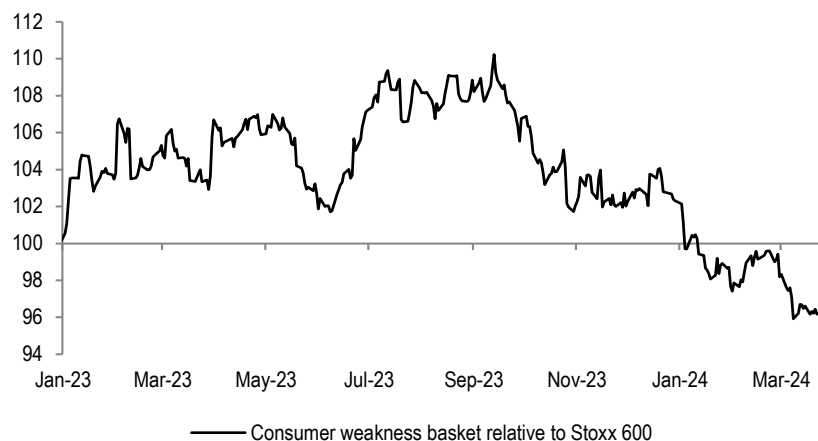
Name	Ticker	Sector
Publicis Groupe SA	PUB FP	Comm. Svcs
Renault SA	RNO FP	Discretionary
Mercedes-Benz Group AG	MBG GR	Discretionary
Stellantis NV	STLAM IM	Discretionary
Industria de Diseno Textil SA	ITX SM	Discretionary
Whitbread PLC	WTB LN	Discretionary
Beiersdorf AG	BEI GR	Staples
Banco BPM SpA	BAMI IM	Financials
Banco Bilbao Vizcaya Argentari	BBVA SM	Financials
Bank of Ireland Group PLC	BIRG ID	Financials
Bankinter SA	BKT SM	Financials
CaixaBank SA	CABK SM	Financials
Intesa Sanpaolo SpA	ISP IM	Financials
UniCredit SpA	UCG IM	Financials
AIB Group PLC	AIBG ID	Financials
Banco de Sabadell SA	SAB SM	Financials
Schindler Holding AG	SCHP SW	Industrials
Kone Oyj	KNEBV FH	Industrials
Epiroc AB	EPIA SS	Industrials
Airbus SE	AIR FP	Industrials
Dassault Aviation SA	AM FP	Industrials
Ryanair Holdings PLC	RYA ID	Industrials
Spectris PLC	SXS LN	IT
Dassault Systemes SE	DSY FP	IT
SAP SE	SAP GR	IT
Centrica PLC	CNA LN	Utilities

Source: Bloomberg Finance L.P., J.P. Morgan, all stocks are liquidity weighted in the basket

3) Companies sensitive to low-end consumer

- The low-end consumer has been disproportionately hurt by the cost-of-living crisis. Our basket comprises of stocks with meaningful exposure to the low-end consumer, and at risk of underperforming as the consumer comes under further pressure.

JPM European consumer weakness basket relative



Source: Bloomberg Finance L.P., J.P. Morgan

JPM European consumer weakness basket - JPDEEUCW

Name	Ticker	Sector
Publicis Groupe SA	PUB FP	Comm. Svcs
WPP PLC	WPP LN	Comm. Svcs
Ubisoft Entertainment SA	UBI FP	Comm. Svcs
Electrolux AB	ELUXB SS	Discretionary
Amadeus IT Group SA	AMS SM	Discretionary
Renault SA	RNO FP	Discretionary
Stellantis NV	STLAM IM	Discretionary
H & M Hennes & Mauritz AB	HMB SS	Discretionary
adidas AG	ADS GR	Discretionary
JD Sports Fashion PLC	JD/ LN	Discretionary
Pandora A/S	PNDORA DC	Discretionary
Puma SE	PUM GR	Discretionary
Accor SA	AC FP	Discretionary
InterContinental Hotels Group	IHG LN	Discretionary
HelloFresh SE	HFG GR	Staples
Associated British Foods PLC	ABF LN	Staples
Unilever PLC	ULVR LN	Staples
Coca-Cola HBC AG	CCH LN	Staples
Anheuser-Busch InBev SA/NV	ABI BB	Staples
Remy Cointreau SA	RCO FP	Staples
Straumann Holding AG	STMN SW	Health care
Koninklijke Philips NV	PHIA NA	Health care
EssilorLuxottica SA	EL FP	Health care
easyJet PLC	EZJ LN	Industrials
Fluidra SA	FDR SM	Industrials

Source: Bloomberg Finance L.P., J.P. Morgan, all stocks are liquidity weighted in the basket

4) Companies with margins at risk of contracting as pricing deteriorates

- The basket comprises of stocks that have seen significant margin expansion since 2019, on the back of stronger pricing power. Margins for these companies now appear too stretched and are at risk of contracting as pricing deteriorates.

JPM European losers of falling pricing power basket relative



Losers of falling pricing power basket relative to Stoxx 600

Source: Bloomberg Finance L.P., J.P. Morgan

JPM European losers of falling pricing power- JPDEEUPP

Name	Ticker	Sector
WPP PLC	WPP LN	Comm. Svcs
Publicis Groupe SA	PUB FP	Comm. Svcs
Cie Generale des Etablissement	ML FP	Discretionary
Swatch Group AG/The	UHR SW	Discretionary
Mercedes-Benz Group AG	MBG GR	Discretionary
Ferrari NV	RACE IM	Discretionary
Bayerische Motoren Werke AG	BMW GR	Discretionary
Cie Financiere Richemont SA	CFR SW	Discretionary
LVMH Moet Hennessy Louis Vuitt	MC FP	Discretionary
Hermes International SCA	RMS FP	Discretionary
Burberry Group PLC	BRBY LN	Discretionary
Kering SA	KER FP	Discretionary
Moncler SpA	MONC IM	Discretionary
Whitbread PLC	WTB LN	Discretionary
British American Tobacco PLC	BATS LN	Staples
Coca-Cola HBC AG	CCH LN	Staples
Beiersdorf AG	BEI GR	Staples
Imperial Brands PLC	IMB LN	Staples
BP PLC	BP/ LN	Energy
Shell PLC	SHEL LN	Energy
TotalEnergies SE	TTE FP	Energy
Eni SpA	ENI IM	Energy
Mediobanca Banca di Credito Fi	MB IM	Financials
Rheinmetall AG	RHM GR	Industrials
DSV A/S	DSV DC	Industrials
VAT Group AG	VACN SW	Industrials
Daimler Truck Holding AG	DTG GR	Industrials
Volvo AB	VOLVB SS	Industrials
STMicroelectronics NV	STMPA FP	IT
Infineon Technologies AG	IFX GR	IT
Svenska Cellulosa AB SCA	SCAB SS	Materials
SSE PLC	SSE LN	Utilities

Source: Bloomberg Finance L.P., J.P. Morgan, all stocks are liquidity weighted in the basket

5) High wage costs losers

- The basket comprises of stocks that have an elevated proportion of wage costs, that can't be passed on to their customers, and can see a margin impact going forward.

JPM European losers of high wage costs -JPDEHWCL

Name	Ticker	Sector
Publicis Groupe SA	PUB FP	Comm. Svcs
WPP PLC	WPP LN	Comm. Svcs
Ubisoft Entertainment SA	UBI FP	Comm. Svcs
Stellantis NV	STLAM IM	Discretionary
Associated British Foods PLC	ABF LN	Staples
Remy Cointreau SA	RCO FP	Staples
Fresenius Medical Care AG	FME GR	Health care
EssilorLuxottica SA	EL FP	Health care
Indra Sistemas SA	IDR SM	IT
Capgemini SE	CAP FP	IT
Chr Hansen Holding A/S	CHR DC	Materials
Givaudan SA	GIVN SW	Materials

JPM European high wage costs losers basket relative



Source: Bloomberg Finance L.P., J.P. Morgan

Source: Bloomberg Finance L.P., J.P. Morgan, all stocks are liquidity weighted in the basket

6) Winners and losers from AI theme

- Our basket of winners from AI theme includes companies that are set to gain from Artificial Intelligence to improve products or gain a strategic edge over their competitors.
- Our basket of losers from AI theme includes companies that are set to lose from Artificial Intelligence and cannot adapt to disruptive innovations.

JPM European Winners of AI theme - JPDEEAIW

Name	Ticker	Sector
Schneider Electric SE	SU FP	Industrials
Legrand SA	LR FP	Industrials
ABB Ltd	ABBN SW	Industrials
Siemens AG	SIE GR	Industrials
RELX PLC	REL LN	Industrials
Sage Group PLC/The	SGE LN	IT
Capgemini SE	CAP FP	IT
SAP SE	SAP GR	IT

Source: Bloomberg Finance L.P., J.P. Morgan, all stocks are liquidity weighted in the basket

JPM European Losers of AI theme - JPDEEAIL

Name	Ticker	Sector
Publicis Groupe SA	PUB FP	Comm. Svcs
WPP PLC	WPP LN	Comm. Svcs
Wolters Kluwer NV	WKL NA	Industrials

Source: Bloomberg Finance L.P., J.P. Morgan, all stocks are liquidity weighted in the basket

7) Defense champions basket

- The basket comprises of stocks exposed to the European Defense space, which are likely to be long-term winners as countries reverse decades of under-investment in Defense. In addition, these stocks are a hedge against geopolitical risk.

JPM European defense champions

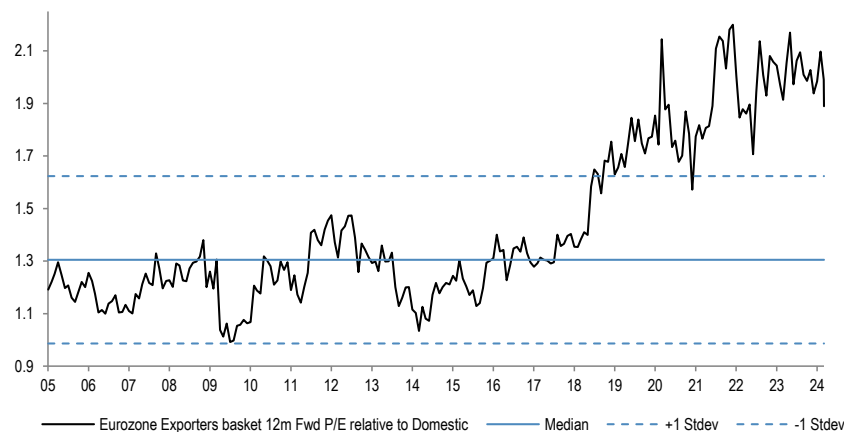
Name	Ticker	Sector
BAE Systems PLC	BA/ LN	Industrials
Dassault Aviation SA	AM FP	Industrials
Saab Automobile AB	SAABA SS	Industrials
Thales SA	HO FP	Industrials
Rheinmetall AG	RHM GY	Industrials
QinetiQ Group PLC	QQ/ LN	Industrials
Hensoldt AG	HAG GY	Industrials
Babcock International Group PL	BAB LN	Industrials

Source: Bloomberg Finance L.P., J.P. Morgan

8) FX exposure: a) for Eurozone... valuations of the Exporters appear increasingly stretched

- Exporters continue to screen expensive on most valuation measures when compared to our Eurozone domestic basket.
- Our basket of Eurozone Exporters comprises of stocks with the highest international revenue exposure and could be hurt if Euro strengthens from here.

Eurozone Exporters 12m fwd. P/E relative to Domestic



Source: IBES, J.P.Morgan

JPM Eurozone Exporters - JPDEEZEX

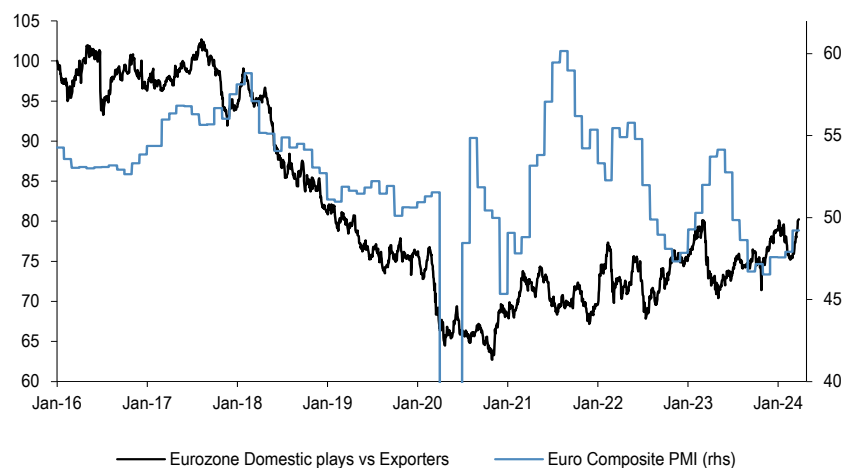
Name	Ticker	Sector	Ex-W.E. exposure
Aegon Ltd	AGN NA	Financials	87%
Fresenius Medical Care AG	FME GR	Health care	85%
Hannover Rueck SE	HNR1 GR	Financials	83%
Sampo Oyj	SAMPO FH	Financials	81%
Pernod Ricard SA	RI FP	Staples	80%
L'Oreal SA	OR FP	Staples	79%
LVMH Moet Hennessy Louis Vuitt	MC FP	Discretionary	77%
Wolters Kluwer NV	WKL NA	Industrials	77%
Hermes International SCA	RMS FP	Discretionary	77%
Publicis Groupe SA	PUB FP	Comm. Svcs	76%
Sanofi SA	SAN FP	Health care	76%
HelloFresh SE	HFG GR	Staples	75%
Remy Cointreau SA	RCO FP	Staples	75%
UCB SA	UCB BB	Health care	72%
Kering SA	KER FP	Discretionary	72%
Merck KGaA	MRK GR	Health care	71%
MTU Aero Engines AG	MTX GR	Industrials	70%
Bayer AG	BAYN GR	Health care	70%
Airbus SE	AIR FP	Industrials	68%
Moncler SpA	MONC IM	Discretionary	65%
Puma SE	PUM GR	Discretionary	65%
Dassault Systemes SE	DSY FP	IT	65%
Ubisoft Entertainment SA	UBI FP	Comm. Svcs	64%
EssilorLuxottica SA	EL FP	Health care	64%
adidas AG	ADS GR	Discretionary	62%
Acerinox SA	ACX SM	Materials	62%
Koninklijke Ahold Delhaize NV	AD NA	Staples	62%
Heidelberg Materials AG	HEI GR	Materials	61%
Accor SA	AC FP	Discretionary	61%
Sodexo SA	SW FP	Discretionary	60%
SAP SE	SAP GR	IT	60%
Davide Campari-Milano NV	CPR IM	Staples	60%
Iberdrola SA	IBE SM	Utilities	60%
Safran SA	SAF FP	Industrials	59%
Bayerische Motoren Werke AG	BMW GR	Discretionary	59%
Muenchener Rueckversicherungs-	MUV2 GR	Financials	56%
GEA Group AG	G1A GR	Industrials	55%
SCOR SE	SCR FP	Financials	46%
Fluidra SA	FDR SM	Industrials	46%
Edenred SE	EDEN FP	Financials	40%

Source: Bloomberg Finance L.P., J.P. Morgan, all stocks are liquidity weighted in the basket

b) Eurozone domestic exposure

- Domestic plays are likely to come under renewed pressure as Eurozone composite PMI rolls over.

Eurozone Domestic vs Exporters vs Euro Composite PMI



Source: Bloomberg Finance L.P., J.P. Morgan, S&P Global

JPM Eurozone Domestic - JPDEEZDR

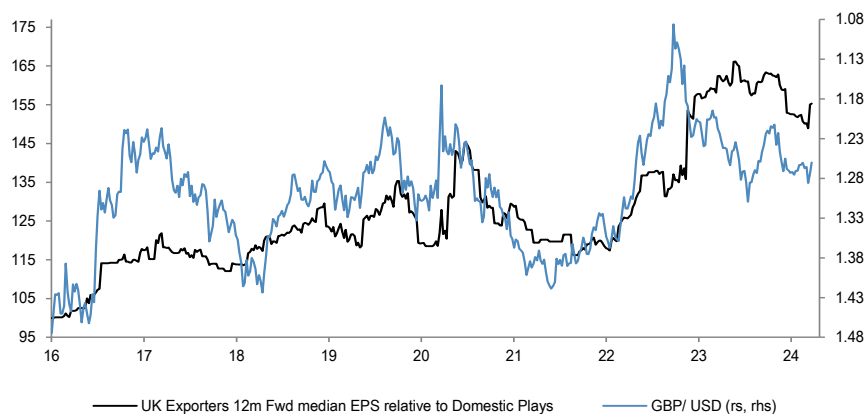
Name	Ticker	Sector	W.E. exposure
CaixaBank SA	CABK SM	Financials	100%
Zalando SE	ZAL GR	Discretionary	100%
Poste Italiane SpA	PST IM	Financials	100%
Gecina SA	GFC FP	Real Estate	100%
Koninklijke KPN NV	KPN NA	Comm. Srvc	100%
ASR Nederland NV	ASRNL NA	Financials	100%
Bankinter SA	BKT SM	Financials	100%
Intesa Sanpaolo SpA	ISP IM	Financials	95%
Eiffage SA	FGR FP	Industrials	95%
NN Group NV	NN NA	Financials	93%
AIB Group PLC	AIBG ID	Financials	90%
Worldline SA/France	WLN FP	Financials	90%
Assicurazioni Generali SpA	G IM	Financials	86%
Banco de Sabadell SA	SAB SM	Financials	85%
UniCredit SpA	UCG IM	Financials	85%
Vinci SA	DG FP	Industrials	82%
Commerzbank AG	CBK GR	Financials	75%
Carrefour SA	CA FP	Staples	73%
Indra Sistemas SA	IDR SM	IT	70%
Renault SA	RNO FP	Discretionary	69%
Cie de Saint-Gobain SA	SGO FP	Industrials	66%
Industria de Diseno Textil SA	ITX SM	Discretionary	63%
Alstom SA	ALO FP	Industrials	60%
Capgemini SE	CAP FP	IT	60%
ArcelorMittal SA	MT NA	Materials	57%
Ipsen SA	IPN FP	Health care	52%
Deutsche Bank AG	DBK GR	Financials	50%
Prysmian SpA	PRY IM	Industrials	50%
Rexel SA	RXL FP	Industrials	50%
Siemens AG	SIE GR	Industrials	50%
K+S AG	SDF GY	Materials	49%
Evonik Industries AG	EVK GR	Materials	48%
Allianz SE	ALV GR	Financials	44%
Banco Santander SA	SAN SM	Financials	35%
Legrand SA	LR FP	Industrials	30%
Signify NV	LIGHT NA	Industrials	30%
Banco Bilbao Vizcaya Argentari	BBVA SM	Financials	25%
Nordea Bank Abp	NDA SS	Financials	20%

Source: Bloomberg Finance L.P., J.P. Morgan, all stocks are liquidity weighted in the basket

c) UK Exporters

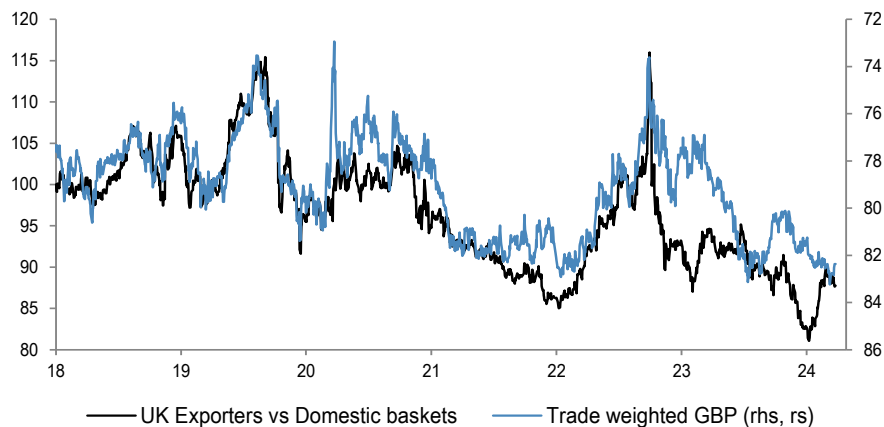
- UK exporters display a clear negative correlation with FX and should be helped by a weaker GBP.

UK Exporters vs Domestic earnings and GBP



Source: Datastream, J.P. Morgan

UK Exporters vs Domestic baskets vs trade-weighted GBP



Source: Bloomberg Finance L.P., J.P. Morgan

JPM UK Exporters - JPDEUKEX

Name	Ticker	Sector	ex-UK exposure
Prudential PLC	PRU LN	Financials	100%
British American Tobacco PLC	BATS LN	Staples	99%
Spirax-Sarco Engineering PLC	SPX LN	Industrials	95%
Beazley PLC	BEZ LN	Financials	95%
GSK PLC	GSK LN	Health care	95%
Diageo PLC	DGE LN	Staples	95%
Unilever PLC	ULVR LN	Staples	95%
Reckitt Benckiser Group PLC	RKT LN	Staples	95%
AstraZeneca PLC	AZN LN	Health care	95%
Standard Chartered PLC	STAN LN	Financials	94%
RELX PLC	REL LN	Industrials	94%
ConvaTec Group PLC	CTEC LN	Health care	93%
Smith & Nephew PLC	SN/ LN	Health care	92%
Imperial Brands PLC	IMB LN	Staples	92%
Rolls-Royce Holdings PLC	RR/ LN	Industrials	90%
Burberry Group PLC	BRBY LN	Discretionary	90%
Pearson PLC	PERSON LN	Discretionary	89%
WPP PLC	WPP LN	Comm. Svcs	87%
Halma PLC	HLMA LN	IT	84%
Sage Group PLC/The	SGE LN	IT	80%
HSBC Holdings PLC	HSBA LN	Financials	67%
JD Sports Fashion PLC	JD/ LN	Discretionary	60%

Source: Bloomberg Finance L.P., J.P. Morgan, all stocks are liquidity weighted in the basket

d) UK domestic plays

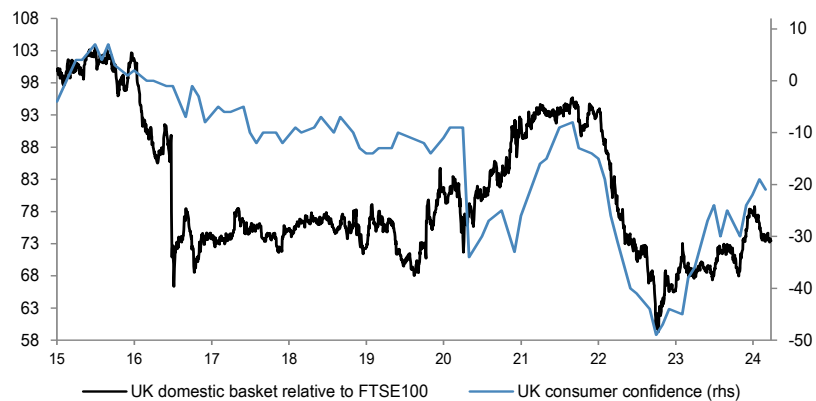
- Domestic stocks benefitted from the domestic reopening. However, we didn't like them last year, and they should stay under pressure.

UK Domestic basket relative to Exporters



Source: Datastream

UK Domestic basket relative and confidence



Source: J.P. Morgan, Bloomberg Finance L.P.

JPM UK Domestic - JPDEUKDM

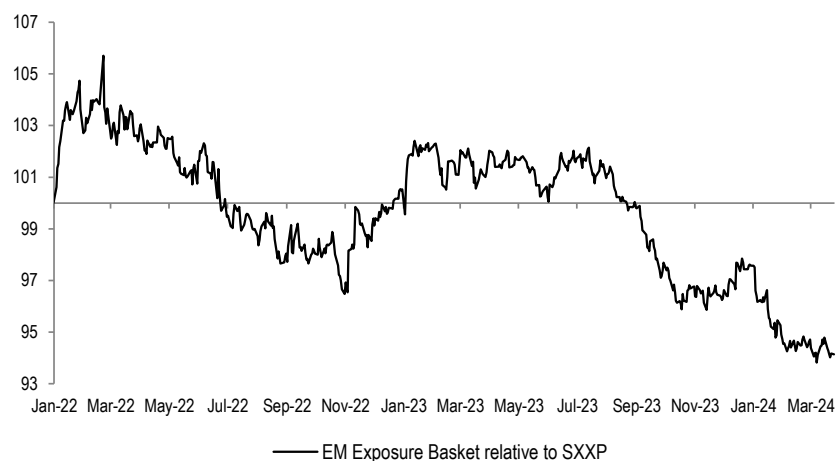
Name	Ticker	GICS Sector	UK exposure
Barratt Developments PLC	BDEV LN	Discretionary	100%
Berkeley Group Holdings PLC	BKG LN	Discretionary	100%
Persimmon PLC	PSN LN	Discretionary	100%
J Sainsbury PLC	SBRY LN	Staples	100%
Rightmove PLC	RMV LN	Comm. Svcs	100%
British Land Co PLC/The	BLND LN	Real Estate	100%
Land Securities Group PLC	LAND LN	Real Estate	100%
Auto Trader Group PLC	AUTO LN	Comm. Svcs	100%
Taylor Wimpey PLC	TW/ LN	Discretionary	97%
Phoenix Group Holdings PLC	PHNX LN	Financials	97%
Whitbread PLC	WTB LN	Discretionary	96%
Lloyds Banking Group PLC	LLOY LN	Financials	95%
NatWest Group PLC	NWG LN	Financials	95%
BT Group PLC	BT/A LN	Comm. Svcs	95%
Legal & General Group PLC	LGEN LN	Financials	95%
Tesco PLC	TSCO LN	Staples	92%
B&M European Value Retail SA	BME LN	Discretionary	91%
Marks & Spencer Group PLC	MKS LN	Staples	91%
Centrica PLC	CNA LN	Utilities	90%
M&G PLC	MNG LN	Financials	87%
Next PLC	NXT LN	Discretionary	84%
Admiral Group PLC	ADM LN	Financials	80%
Ocado Group PLC	OCDO LN	Staples	80%
Aviva PLC	AV/ LN	Financials	78%
Barclays PLC	BARC LN	Financials	51%
Entain PLC	ENT LN	Discretionary	45%
easyJet PLC	EZJ LN	Industrials	44%

Source: Bloomberg Finance L.P., J.P. Morgan, all stocks are liquidity weighted in the basket

9) EM exposure

- Our EM exposure basket comprises of stocks with the highest exposure to the region, and most geared to EM growth.

EM exposure basket price relative



Source: Bloomberg Finance L.P.

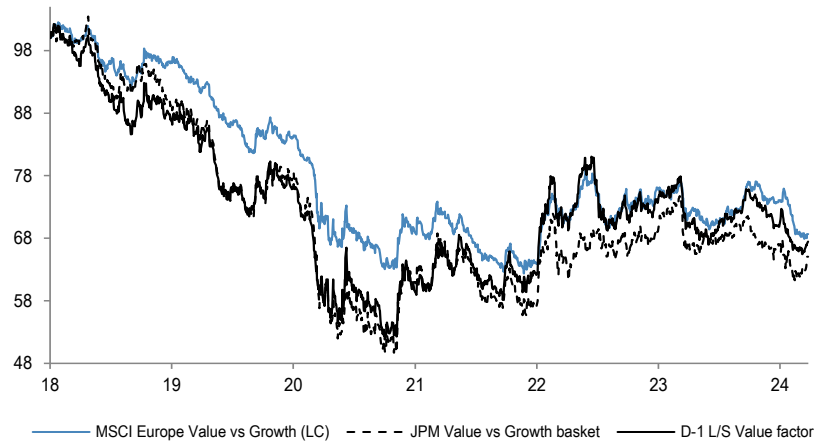
JPM EM exposure - JPDEEMEX

Name	Ticker	Sector	EM exposure
Prudential PLC	PRU LN	Financials	100%
Banco Bilbao Vizcaya Argentari	BBVA SM	Financials	75%
Anglo American PLC	AAL LN	Materials	70%
Coca-Cola HBC AG	CCH LN	Staples	65%
Anheuser-Busch InBev SA/NV	ABI BB	Staples	62%
Pernod Ricard SA	RI FP	Staples	60%
Rio Tinto PLC	RIO LN	Materials	60%
Unilever PLC	ULVR LN	Staples	58%
Swatch Group AG/The	UHR SW	Discretionary	58%
Wartsila OYJ Abp	WRT1V FH	Industrials	56%
MTU Aero Engines AG	MTX GR	Industrials	55%
Carlsberg AS	CARLB DC	Staples	50%
Heineken NV	HEIA NA	Staples	50%
Antofagasta PLC	ANTO LN	Materials	50%
Hermes International SCA	RMS FP	Discretionary	49%
Cie Financiere Richemont SA	CFR SW	Discretionary	48%
Epiroc AB	EPIA SS	Industrials	46%
Airbus SE	AIR FP	Industrials	45%
Accor SA	AC FP	Discretionary	45%
LVMH Moet Hennessy Louis Vuitt	MC FP	Discretionary	44%
Telefonaktiebolaget LM Ericsson	ERICB SS	IT	44%
DSM-Firmenich AG	DSFIR NA	Materials	44%
Akzo Nobel NV	AKZA NA	Materials	43%
Umicore SA	UMI BB	Materials	43%
Engie SA	ENGI FP	Utilities	43%
Nokia Oyj	NOKIA FH	IT	43%
Kering SA	KER FP	Discretionary	42%
Givaudan SA	GIVN SW	Materials	42%
Burberry Group PLC	BRBY LN	Discretionary	40%
Banco Santander SA	SAN SM	Financials	40%
ABB Ltd	ABBN SW	Industrials	40%
Spirax-Sarco Engineering PLC	SPX LN	Industrials	40%
Remy Cointreau SA	RCO FP	Staples	40%
Atlas Copco AB	ATCOA SS	Industrials	39%
Covestro AG	1COV GR	Materials	38%
adidas AG	ADS GR	Discretionary	37%
KBC Group NV	KBC BB	Financials	36%
Heidelberg Materials AG	HEI GR	Materials	35%
Hikma Pharmaceuticals PLC	HIK LN	Health care	33%
Signify NV	LIGHT NA	Industrials	31%
Sanofi SA	SAN FP	Health care	30%
Pandora A/S	PNDORA DC	Discretionary	30%
Siemens AG	SIE GR	Industrials	28%
Edenred SE	EDEN FP	Financials	28%
Carrefour SA	CA FP	Staples	27%
AstraZeneca PLC	AZN LN	Health care	27%
Moncler SpA	MONC IM	Discretionary	25%
Legrand SA	LR FP	Industrials	25%
InterContinental Hotels Group	IHG LN	Discretionary	25%
Sodexo SA	SW FP	Discretionary	25%
Puma SE	PUM GR	Discretionary	25%
Telenor ASA	TEL NO	Comm. Svcs	25%
Halma PLC	HLMA LN	IT	24%
Sika AG	SIKA SW	Materials	22%
EssilorLuxottica SA	EL FP	Health care	18%
Allianz SE	ALV GR	Financials	16%
Holcim AG	HOLN SW	Materials	14%
Zurich Insurance Group AG	ZURN SW	Financials	13%
Swiss Re AG	SREN SW	Financials	9%

Source: Bloomberg Finance L.P., J.P. Morgan, all the stocks are liquidity weighed in the basket

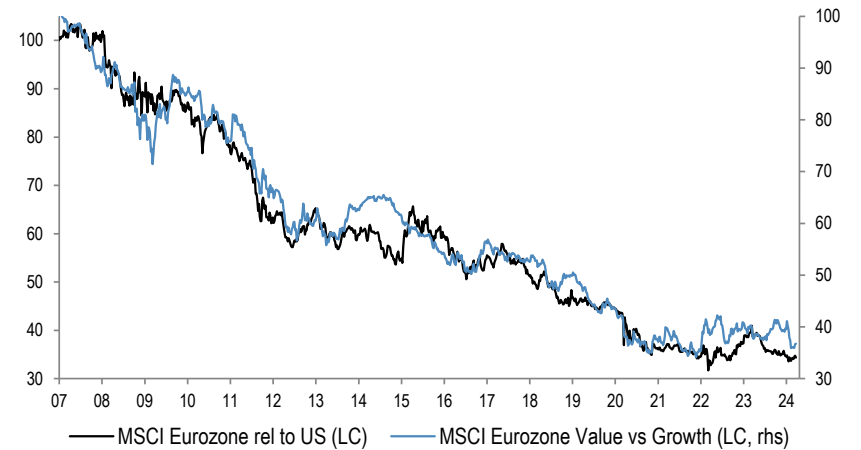
10) Value vs Growth: Style leadership is closely linked to the direction of bond yields...

Value style performance vs Growth



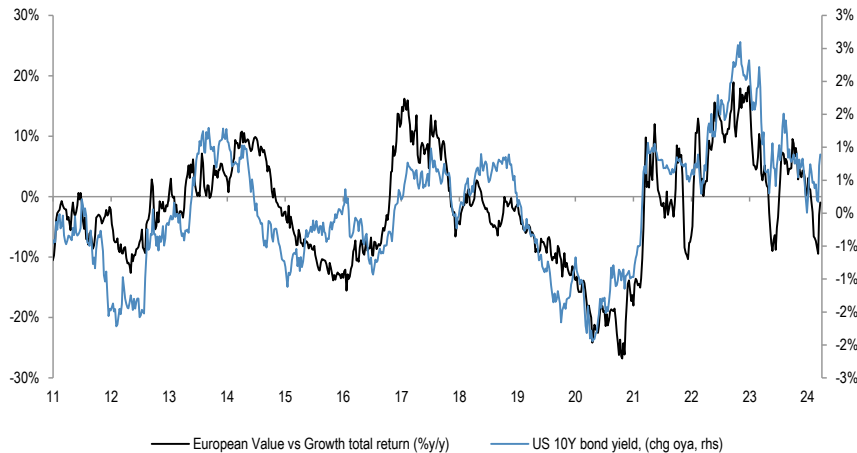
Source: Bloomberg Finance L.P., J.P. Morgan

Eurozone vs US and Value vs Growth



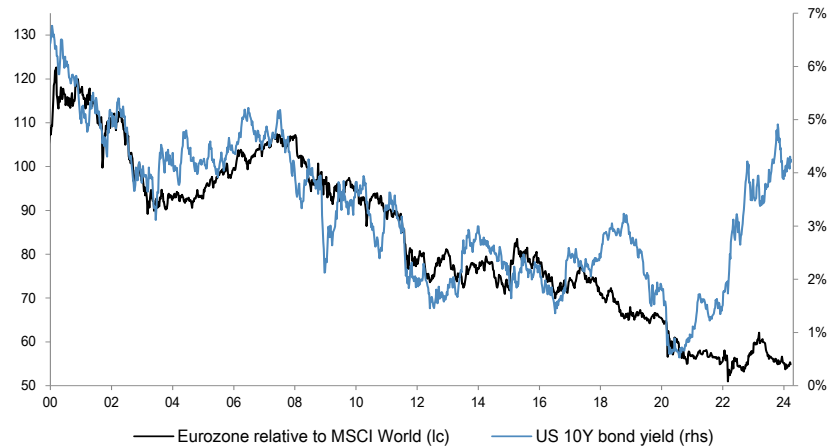
Source: Datastream

MSCI Europe Value vs Growth and US bond yields



Source: Datastream

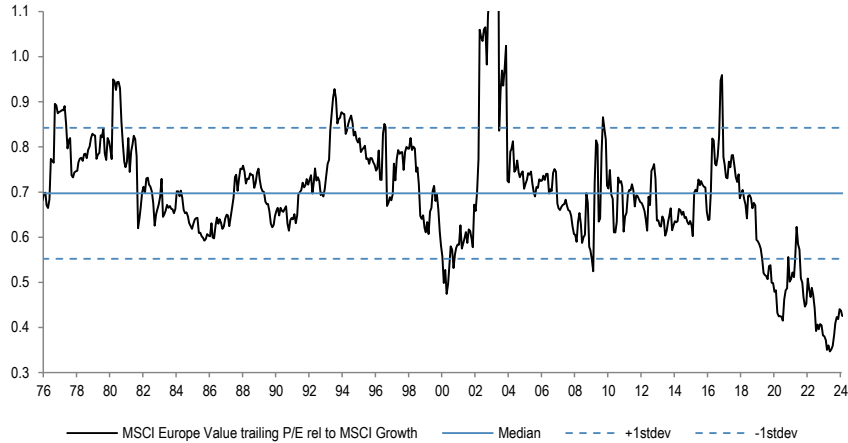
Eurozone relative to World and US 10Y bond yield



Source: Datastream

...Value valuations remain attractive

European Value vs Growth trailing P/E



Source: Datastream

MSCI Europe - Value and Growth sectoral composition

	Sector Weights			
	MSCI Europe	Value	Growth	Value vs Growth
Financials	18.0%	28.1%	9.0%	19.1%
Energy	5.3%	11.3%	0.1%	11.2%
Utilities	3.8%	7.7%	0.3%	7.5%
Com. Services	3.1%	4.8%	1.5%	3.3%
Real Estate	6.8%	8.3%	5.5%	2.8%
Materials	0.8%	1.6%	0.1%	1.5%
Industrials	15.4%	13.9%	16.7%	-2.7%
Staples	10.9%	6.8%	14.6%	-7.7%
Discretionary	11.3%	6.2%	15.8%	-9.6%
IT	16.5%	10.6%	21.7%	-11.0%
Healthcare	8.2%	0.7%	14.9%	-14.2%

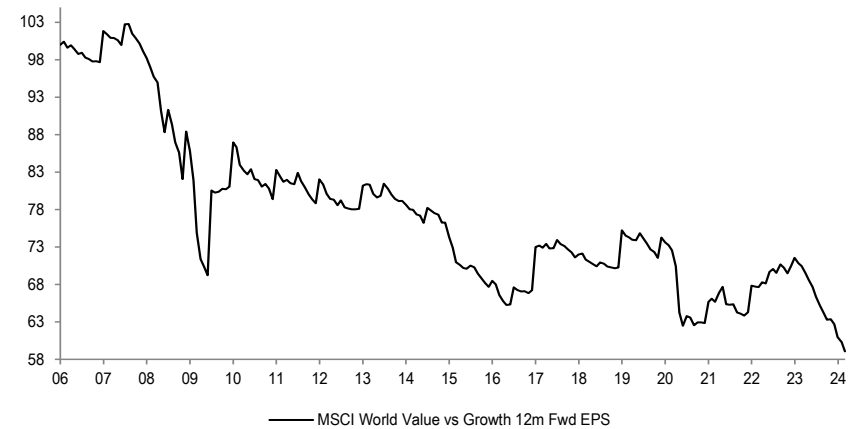
Source: Datastream

European Value vs Growth P/Book and US 10Y bond yields



Source: Datastream

MSCI World Value vs Growth EPS momentum



Source: Datastream

a) European Value and Growth baskets

JPM European Value - JPDEVALU

Name	Ticker	Sector	Price/ Book
PORSCHE AML.HLDG. (XET) PEF.	PAH3 GR	Discretionary	0.3
STANDARD CHARTERED	STAN LN	Financials	0.3
SOCIETE GENERALE	GLE FP	Financials	0.3
WORLDLINE	WLN FP	Financials	0.3
A P MOLLER MAERSK A	MAERSKB DC	Industrials	0.4
ARCELORMITTAL	MT NA	Materials	0.4
RENAULT	RNO FP	Discretionary	0.4
DEUTSCHE BANK (XET)	DBK GR	Financials	0.4
COVIVIO	COV FP	Real Estate	0.4
BARCLAYS	BARC LN	Financials	0.5
SMITH & NEPHEW	SN/ LN	Health care	0.5
ALSTOM	ALO FP	Industrials	0.5
NATWEST GROUP	NWG LN	Financials	0.5
COMMERZBANK (XET)	CBK GR	Financials	0.6
VIVENDI	VIV FP	Comm. Svcs	0.6
KINGFISHER	KGF LN	Discretionary	0.7
FRESENIUS MED.CARE (XET)	FME GR	Health care	0.7
RWE (XET)	RWE GR	Utilities	0.7
BMW PEF. (XET)	BMW GR	Discretionary	0.7
FRESENIUS (XET)	FRE GR	Health care	0.7
REPSOL YPF	REP SM	Energy	0.8
BAYER (XET)	BAYN GR	Health care	0.8
OMV	OMV AV	Energy	0.8
SAINSBURY J	SBRY LN	Staples	0.8
ANGLO AMERICAN	AAL LN	Materials	0.8
DEUTSCHE LUFTHANSA (XET)	LHA GR	Industrials	0.9
STORA ENSO R	STERV FH	Materials	0.9
GRIFOLS ORD CL A	GRF SM	Health care	0.9
NOKIA	NOKIA FH	IT	0.9
CARREFOUR	CA FP	Staples	0.9
BRITISH AMERICAN TOBACCO	BATS LN	Staples	1.0
AERCAP HOLDINGS N V	R1D GR	Industrials	1.1
ENAGAS	ENG SM	Utilities	1.2
HELLOFRESH (XET)	HFG GR	Staples	1.3
SIEMENS ENERGY N (XET)	ENR GR	Industrials	1.3
SKANSKA B	SKAB SS	Industrials	1.4
PHILIPS ELTN.KONINKLIJKE	PHIA NA	Health care	1.5
MELROSE INDUSTRIES	MRO LN	Industrials	1.5
ERICSSON B	ERICB SS	IT	2.0
INFINEON TECHS. (XET)	IFX GR	IT	2.6

Source: Datastream, J.P. Morgan, all stocks are equally weighted in the baskets

JPM European Growth - JPDEGROW

Name	Ticker	Sector	Price/ Book
NOVO NORDISK 'B'	NOVOB DC	Health care	37.8
FERRARI (MIL)	RACE IM	Discretionary	30.9
UNILEVER (UK)	ULVR LN	Staples	27.0
BE SEMICONDUCTOR INDUSTRIES	BESI NA	IT	25.9
ASML HOLDING	ASML NA	IT	20.8
HERMES INTL.	RMS FP	Discretionary	20.3
WOLTERS KLUWER	WKL NA	Industrials	19.9
VAT GROUP	VACN SW	Industrials	18.4
RELX	REL LN	Industrials	18.4
PANDORA	PNDORA DC	Discretionary	17.6
NEMETSCHEK (XET)	NEM GR	IT	14.8
ADYEN	ADYEN NA	Financials	14.4
PARTNERS GROUP HOLDING	PGHN SW	Financials	13.8
JD SPORTS FASHION	JD/ LN	Discretionary	13.7
GEBERIT 'R'	GEBN SW	Industrials	13.3
COLOPLAST B	COLOB DC	Health care	12.2
ATLAS COPCO A	ATCOA SS	Industrials	11.2
AIRBUS	AIR FP	Industrials	9.9
GIVAUDAN 'N'	GIVN SW	Materials	9.3
KUEHNE UND NAGEL INTERNATIONAL	KNIN SW	Industrials	9.0
L'OREAL	OR FP	Staples	8.8
DIAGEO	DGE LN	Staples	8.3
EMS-CHEMIE 'N'	EMSN SW	Materials	8.3
DEMANT	DEMANT DC	Health care	8.3
CENTRICA	CNA LN	Utilities	7.6
SONOVA N	SOON SW	Health care	7.3
SCHRODERS	SDR LN	Financials	7.2
ADMIRAL GROUP	ADM LN	Financials	7.1
SIKA	SIKA SW	Materials	7.1
RECORDATI INDUA.CHIMICA	REC IM	Health care	7.0
NESTLE 'N'	NESN SW	Staples	7.0
SEVERN TRENT	SVT LN	Utilities	6.7
ORION B	ORNBV FH	Health care	5.6
KPN KON	KPN NA	Comm. Svcs	5.2
HARGREAVES LANSDOWN	HL/ LN	Financials	4.7
FINECOBANK SPA	FBK IM	Financials	4.3
DEUTSCHE BOERSE (XET)	DB1 GR	Financials	4.0
NESTE	NESTE FH	Energy	2.3
EQUINOR	EQNR NO	Energy	1.6
WAREHOUSES DE PAUW	WDP BB	Real Estate	1.2

b) Beneficiaries vs Losers of rising bond yields

JPM Rising bond yield beneficiaries - JPDERBYB

Name	Ticker	Sector	10Y Correlation to BY
BNP PARIBAS	BNP FP	Financials	32%
SOCIETE GENERALE	GLE FP	Financials	31%
ABN AMRO BANK	ABN NA	Financials	30%
COMMERZBANK (XET)	CBK GR	Financials	29%
CREDIT AGRICOLE	ACA FP	Financials	29%
UNICREDIT	UCG IM	Financials	28%
DEUTSCHE BANK (XET)	DBK GR	Financials	26%
AEGON	AGN NA	Financials	26%
BANCO SANTANDER	SAN SM	Financials	26%
ING GROEP	INGA NA	Financials	26%
ASR NEDERLAND	ASRNL NA	Financials	25%
AXA	CS FP	Financials	25%
ARCELORMITTAL	MT NA	Materials	24%
RENAULT	RNO FP	Discretionary	24%
ERSTE GROUP BANK	EBS AV	Financials	24%
KBC GROUP	KBC BB	Financials	24%
BBV.ARGENTARIA	BBVA SM	Financials	23%
HSBC HOLDINGS	HSBA LN	Financials	22%
INTESA SANPAOLO	ISP IM	Financials	22%
UBS GROUP	UBSG SW	Financials	21%
PORSCHE AML.HLDG. (XET) PREF.	PAH3 GR	Discretionary	21%
NN GROUP	NN NA	Financials	20%
TENARIS	TEN IM	Energy	20%
METSO CORPORATION	METSO FH	Industrials	20%
CAIXABANK	CABK SM	Financials	19%
AVIVA	AV/ LN	Financials	19%
DNB BANK	DNB NO	Financials	19%
BARCLAYS	BARC LN	Financials	19%
JULIUS BAER GRUPPE	BAER SW	Financials	18%
BANK OF IRELAND GROUP	BIRG ID	Financials	18%
MERCEDES-BENZ GROUP(XET) N	MBG GR	Discretionary	18%
REPSOL YPF	REP SM	Energy	17%
AIB GROUP	AIBG ID	Financials	17%
ARKEMA	AKE FP	Materials	17%
NATWEST GROUP	NWVG LN	Financials	17%
MEDIOBANCA BC.FIN	MB IM	Financials	16%
BMW PREF. (XET)	BMW GR	Discretionary	16%
VOLVO A	VOLVB SS	Industrials	16%
RIO TINTO	RIO LN	Materials	15%
HEIDELBERG (XET) MATERIALS	HEI GR	Materials	15%

Source: Datastream, J.P. Morgan, all stocks are liquidity weighted in the baskets

JPM Rising bond yield losers - JPDERBYL

Name	Ticker	Sector	10Y Correlation to BY
VONOVIA (XET)	VNA GR	Real Estate	-37%
ELIA GROUP	ELI BB	Utilities	-36%
LEG IMMOBILIEN (XET)	LEG GR	Real Estate	-36%
NATIONAL GRID	NG/ LN	Utilities	-34%
CELLNEX TELECOM	CLNX SM	Comm. Svcs	-33%
SWISS PRIME SITE	SPSN SW	Real Estate	-29%
NESTLE 'N'	NESN SW	Staples	-29%
UNITED UTILITIES GROUP	UU/ LN	Utilities	-29%
INFRASTRUTTURA WIRELESS			
ITALIANE SPA NPV	INW IM	Comm. Svcs	-28%
UNILEVER (UK)	ULVR LN	Staples	-26%
SNAM	SRG IM	Utilities	-26%
TERNA RETE ELETTRICA NAZ	TRN IM	Utilities	-26%
SIEMENS (XET) HEALTHINEERS	SHL GR	Health care	-26%
SEVERN TRENT	SVT LN	Utilities	-26%
SSE	SSE LN	Utilities	-26%
GIVAUDAN 'N'	GIVN SW	Materials	-25%
FASTIGHETS BALDER B	BALDB SS	Real Estate	-25%
RECKITT BENCKISER GROUP	RKT LN	Staples	-24%
L'OREAL	OR FP	Staples	-24%
BARRY CALLEBAUT	BARN SW	Staples	-23%
WAREHOUSES DE PAUW	WDP BB	Real Estate	-23%
RECORDATI INDUA.CHIMICA	REC IM	Health care	-22%
DIAGEO	DGE LN	Staples	-22%
ASTRAZENECA	AZN LN	Health care	-22%
BEIERSDORF (XET)	BEI GR	Staples	-22%
OERSTED	ORSTED DC	Utilities	-22%
RELX	REL LN	Industrials	-21%
CARL ZEISS MEDITEC (XET)	AFX GR	Health care	-21%
ESSITY B	ESSITYB SS	Staples	-21%
GLAXOSMITHKLINE	GSK LN	Health care	-21%
ROCHE HOLDINGS 'B'	ROG SW	Health care	-20%
COLOPLAST B	COLOB DC	Health care	-20%
SYMRISE (XET)	SY1 GR	Materials	-20%
NOVO NORDISK 'B'	NOVOB DC	Health care	-19%
TELENOR	TEL NO	Comm. Svcs	-19%
ENDESA	ELE SM	Utilities	-19%
ESSILORLUXOTTICA	EL FP	Health care	-18%
HERMES INTL.	RMS FP	Discretionary	-18%
ENAGAS	ENG SM	Utilities	-18%
BACHEM HOLDING	BANB SW	Health care	-17%

c) Beneficiaries vs Losers of rising oil prices

JPM Rising oil prices beneficiaries - JPDEOILW

Name	Ticker	Sector	Correlation to Oil
ARCELORMITTAL	MT NA	Materials	62%
TENARIS	TEN IM	Energy	60%
REPSOL YPF	REP SM	Energy	57%
ANGLO AMERICAN	AAL LN	Materials	52%
PORSCHE AML.HLDG. (XET) PEF.	PAH3 GR	Discretionary	48%
EQUINOR	EQNR NO	Energy	48%
ENI	ENI IM	Energy	48%
SHELL (LON)	SHEL LN	Energy	48%
STANDARD CHARTERED	STAN LN	Financials	47%
OCI	OCI NA	Materials	45%
OMV	OMV AV	Energy	44%
METSO CORPORATION	METSO FH	Industrials	43%
AEGON	AGN NA	Financials	43%
A P MOLLER MAERSK A	MAERSKB DC	Industrials	42%
AVIVA	AV/ LN	Financials	40%
SAINT GOBAIN	SGO FP	Industrials	39%
BANCO SANTANDER	SAN SM	Financials	37%
RIO TINTO	RIO LN	Materials	37%
NORSK HYDRO	NHY NO	Materials	36%
ASR NEDERLAND	ASRNL NA	Financials	36%
TOTALENERGIES	TTE FP	Energy	35%
DASSAULT AVIATION	AM FP	Industrials	35%
NATWEST GROUP	NWG LN	Financials	34%
BP	BP/ LN	Energy	34%
RICHEMONT N	CFR SW	Discretionary	33%
MERCEDES-BENZ GROUP(XET) N	MBG GR	Discretionary	33%
AIRBUS	AIR FP	Industrials	33%
THE SWATCH GROUP	UHR SW	Discretionary	32%
BBV.ARGENTARIA	BBVA SM	Financials	32%
ANTOFAGASTA	ANTO LN	Materials	32%
AIB GROUP	AIBG ID	Financials	32%
BNP PARIBAS	BNP FP	Financials	31%
BANK OF IRELAND GROUP	BIRG ID	Financials	31%
DNB BANK	DNB NO	Financials	31%
KONGSBERG GRUPPEN	KOG NO	Industrials	30%
CAIXABANK	CABK SM	Financials	30%
BARCLAYS	BARC LN	Financials	29%
ING GROEP	INGA NA	Financials	29%
SOCIETE GENERALE	GLE FP	Financials	28%
RHEINMETALL (XET)	RHM GR	Industrials	27%

JPM Rising oil prices losers - JPDEOILL

Name	Ticker	Sector	Correlation to Oil
ESSITY B	ESSITYB SS	Staples	-66%
HANNOVER RUECK (XET)	HNR1 GR	Financials	-50%
COLOPLAST B	COLOB DC	Health care	-49%
KONE B	KNEBV FH	Industrials	-48%
BIOMERIEUX	BIM FP	Health care	-44%
INFRASTRUTTURE WIRELESS			
ITALIANE SPA NPV	INW IM	Comm. Svcs	-44%
SYMRISE (XET)	SY1 GR	Materials	-43%
ORKLA	ORK NO	Staples	-43%
RECKITT BENCKISER GROUP	RKT LN	Staples	-42%
KONINKLIJKE AHOLD DELHAIZE	AD NA	Staples	-42%
GENMAB	GMAB DC	Health care	-42%
EURONEXT	ENX FP	Financials	-41%
CELLNEX TELECOM	CLNX SM	Comm. Svcs	-41%
GIVAUDAN 'N'	GIVN SW	Materials	-39%
CHOC.LINDT &SPRUENGLI PAR	LISN SW	Staples	-38%
UNITED UTILITIES GROUP	UU/ LN	Utilities	-38%
SAGE GROUP	SGE LN	IT	-38%
MUENCHENER RUCK. (XET)	MUV2 GR	Financials	-38%
ROCHE HOLDING	ROG SW	Health care	-37%
RECORDATI INDUA.CHIMICA	REC IM	Health care	-37%
UCB	UCB BB	Health care	-37%
DELIVERY HERO (XET)	DSH GR	Discretionary	-37%
SMITH & NEPHEW	SN/ LN	Health care	-36%
LONDON STOCK EXCHANGE GROUP	LSEG LN	Financials	-36%
RELX	REL LN	Industrials	-36%
AUTO TRADER GROUP	AUTO LN	Comm. Svcs	-36%
L'OREAL	OR FP	Staples	-35%
SEVERN TRENT	SVT LN	Utilities	-35%
SAP (XET)	SAP GR	IT	-35%
HENKEL PREF. (XET)	HEN3 GR	Staples	-35%
HALMA	HLMA LN	IT	-34%
HEINEKEN HOLDING	HEIO NA	Staples	-34%
NESTLE 'N'	NESN SW	Staples	-34%
BEIERSDORF (XET)	BEI GR	Staples	-34%
DIASORIN	DIA IM	Health care	-34%
UNILEVER (UK)	ULVR LN	Staples	-34%
WOLTERS KLUWER	WKL NA	Industrials	-33%
INDITEX	ITX SM	Discretionary	-33%
SCHINDLER 'R'	SCHP SW	Industrials	-33%
IBERDROLA	IBE SM	Utilities	-32%

Source: Datastream, J.P. Morgan, all stocks are liquidity weighted in the baskets

d) Beneficiaries vs Losers of rising inflation

JPM Rising inflation beneficiaries - JPDEINFW

Name	Ticker	Sector	Correlation to				Average correlation
			Yield Curve	US Inflation forwards	EUR Inflation Forwards	S&P GSCI	
ARCELORMITTAL	MT NA	Materials	17%	18%	21%	37%	23%
TENARIS	TEN IM	Energy	11%	15%	21%	41%	22%
AEGON	AGN NA	Financials	16%	27%	24%	15%	21%
ING GROEP	INGA NA	Financials	15%	21%	22%	18%	19%
SOCIETE GENERALE	GLE FP	Financials	20%	21%	24%	11%	19%
BNP PARIBAS	BNP FP	Financials	21%	24%	19%	11%	19%
KBC GROUP	KBC BB	Financials	15%	27%	14%	16%	18%
ANGLO AMERICAN	AAL LN	Materials	11%	12%	11%	37%	18%
ENI	ENI IM	Energy	13%	7%	12%	37%	17%
ABN AMRO BANK	ABN NA	Financials	16%	22%	19%	11%	17%
METSO CORPORATION	METSO FH	Industrials	11%	19%	17%	20%	17%
CREDIT AGRICOLE	ACA FP	Financials	20%	22%	16%	8%	17%
REPSOL YPF	REP SM	Energy	11%	3%	17%	35%	17%
AXA	CS FP	Financials	12%	18%	18%	17%	16%
NORSK HYDRO	NHY NO	Materials	8%	10%	15%	32%	16%
DEUTSCHE BANK (XET)	DBK GR	Financials	14%	22%	15%	14%	16%
ANTOFAGASTA	ANTO LN	Materials	14%	7%	8%	32%	16%
TOTALENERGIES	TTE FP	Energy	6%	9%	13%	35%	16%
BANCO SANTANDER	SAN SM	Financials	14%	20%	15%	13%	16%
DNB BANK	DNB NO	Financials	11%	19%	9%	22%	15%
NATWEST GROUP	NWG LN	Financials	9%	26%	16%	8%	15%
EURAZEO	RF FP	Financials	17%	11%	14%	16%	14%
AVIVA	AV/ LN	Financials	12%	21%	8%	16%	14%
LEGAL & GENERAL	LGEN LN	Financials	8%	21%	15%	12%	14%
BARCLAYS	BARC LN	Financials	12%	22%	14%	8%	14%
SAINT GOBAIN	SGO FP	Industrials	9%	12%	17%	17%	14%
ALLIANZ (XET)	ALV GR	Financials	3%	21%	19%	12%	14%
ERSTE GROUP BANK	EBS AV	Financials	9%	19%	11%	16%	14%
OMV	OMV AV	Energy	7%	10%	7%	30%	14%
ASR NEDERLAND	ASRNL NA	Financials	2%	19%	21%	10%	13%
BBV.ARGENTARIA	BBVA SM	Financials	12%	16%	16%	10%	13%
SANDVIK	SAND SS	Industrials	14%	14%	9%	17%	13%
ARKEMA	AKE FP	Materials	11%	12%	14%	15%	13%
JULIUS BAER GRUPPE	BAER SW	Financials	11%	17%	15%	10%	13%
UNICREDIT	UCG IM	Financials	15%	15%	13%	9%	13%
RIO TINTO	RIO LN	Materials	17%	-6%	7%	33%	13%
OCI	OCI NA	Materials	3%	14%	11%	23%	13%
COMMERZBANK (XET)	CBK GR	Financials	11%	15%	18%	7%	12%
DANSKE BANK	DANSKE DC	Financials	4%	18%	19%	7%	12%
HEIDELBERG (XET) MATERIALS	HEI GR	Materials	16%	7%	11%	14%	12%

JPM Rising inflation losers - JPDEINFL

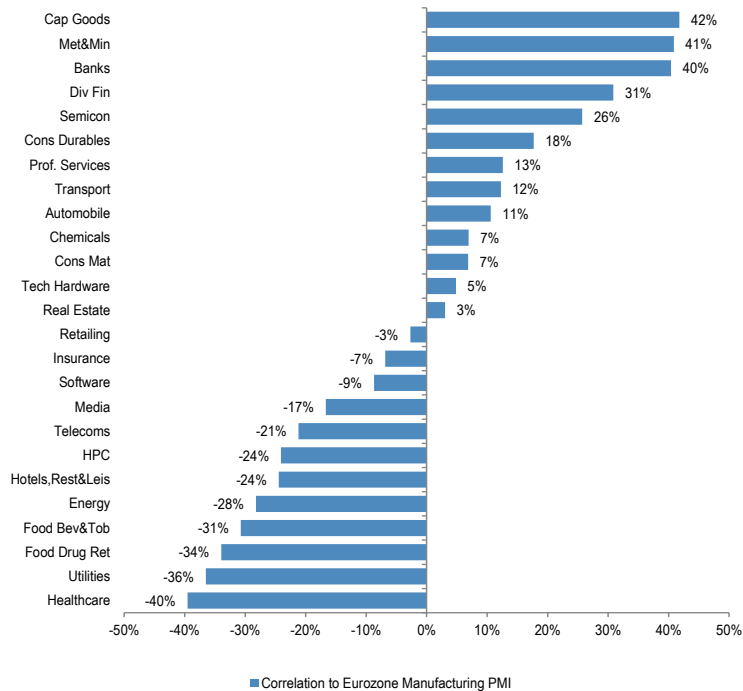
Name	Ticker	Sector	Correlation to				Average correlation
			Yield Curve	US Inflation forwards	EUR Inflation Forwards	S&P GSCI	
NESTLE 'N'	NESN SW	Staples	-16%	-20%	-20%	-30%	-21%
NATIONAL GRID	NG/ LN	Utilities	-21%	-15%	-21%	-27%	-21%
RECKITT BENCKISER GROUP	RKT LN	Staples	-15%	-15%	-18%	-36%	-21%
UNILEVER (UK)	ULVR LN	Staples	-17%	-21%	-17%	-28%	-21%
ESSITY B	ESSITYB SS	Staples	-7%	-17%	-25%	-29%	-19%
GLAXOSMITHKLINE	GSK LN	Health care	-16%	-14%	-14%	-32%	-19%
ELIA GROUP	ELI BB	Utilities	-18%	-16%	-16%	-26%	-19%
DANONE	BN FP	Staples	-11%	-19%	-15%	-26%	-18%
NOVARTIS 'R'	NOVN SW	Health care	-12%	-16%	-19%	-24%	-18%
RECORDATI INDUA.CHIMICA	REC IM	Health care	-10%	-22%	-12%	-25%	-17%
TERNA RETE ELETTRICA NAZ	TRN IM	Utilities	-13%	-20%	-14%	-21%	-17%
UNITED UTILITIES GROUP	UU/ LN	Utilities	-19%	-12%	-14%	-22%	-17%
ROCHE HOLDINGS 'B'	ROG SW	Health care	-13%	-14%	-13%	-27%	-17%
SWISS PRIME SITE	SPSN SW	Real Estate	-13%	-15%	-16%	-22%	-17%
DIAGEO	DGE LN	Staples	-12%	-16%	-15%	-24%	-17%
SEVERN TRENT	SVT LN	Utilities	-14%	-15%	-20%	-18%	-16%
ASTRAZENECA	AZN LN	Health care	-17%	-9%	-15%	-24%	-16%
BEIERSDORF (XET)	BEI GR	Staples	-12%	-14%	-14%	-23%	-16%
BARRY CALLEBAUT	BARN SW	Staples	-15%	-15%	-16%	-18%	-16%
SNAM	SRG IM	Utilities	-12%	-16%	-10%	-24%	-15%
L'OREAL	OR FP	Staples	-10%	-17%	-9%	-24%	-15%
INFRASTRUTTURE WIRELESS							
ITALIANE SPA NPV	INW IM	Comm. Svcs	-14%	-18%	-13%	-15%	-15%
DIASORIN	DIA IM	Health care	-4%	-18%	-15%	-20%	-14%
COLOPLAST B	COLOB DC	Health care	-9%	-11%	-16%	-21%	-14%
VONOVIA (XET)	VNA GR	Real Estate	-15%	-17%	-14%	-10%	-14%
IMPERIAL BRANDS	IMB LN	Staples	-14%	-9%	-16%	-16%	-14%
FRESENIUS MED.CARE (XET)	FME GR	Health care	-6%	-15%	-11%	-23%	-14%
BIOMERIEUX	BIM FP	Health care	-9%	-9%	-14%	-22%	-14%
CHOCOLADEFABRIKEN LINDT & SPRUENGLI	LISN SW	Staples	-5%	-18%	-13%	-18%	-13%
SIEMENS (XET)							
HEALTHINEERS	SHL GR	Health care	2%	-17%	-20%	-17%	-13%
ESSILORLUXOTTICA	EL FP	Health care	-9%	-13%	-10%	-20%	-13%
SSE	SSE LN	Utilities	-15%	-9%	-11%	-14%	-12%
KONINKLIJKE AHOLD							
DELHAIZE	AD NA	Staples	-10%	-11%	-3%	-26%	-12%
TELENOR	TEL NO	Comm. Svcs	-13%	-14%	-6%	-15%	-12%
BRITISH AMERICAN TOBACCO	BATS LN	Staples	-12%	-9%	-12%	-15%	-12%
HEINEKEN	HEIA NA	Staples	-6%	-17%	-14%	-11%	-12%
ASSOCIATED BRIT.FOODS	ABF LN	Staples	-10%	-10%	-10%	-17%	-12%
DAVIDE CAMPARI MILANO	CPR IM	Staples	-9%	-10%	-13%	-13%	-11%
HIKMA PHARMACEUTICALS	HIK LN	Health care	-8%	-10%	-9%	-17%	-11%
HEINEKEN HOLDING	HEIO NA	Staples	-7%	-17%	-11%	-9%	-11%

Source: Datastream, J.P. Morgan, all stocks are liquidity weighted in the baskets

6) European Cyclical vs Defensives: closely linked to the PMI momentum

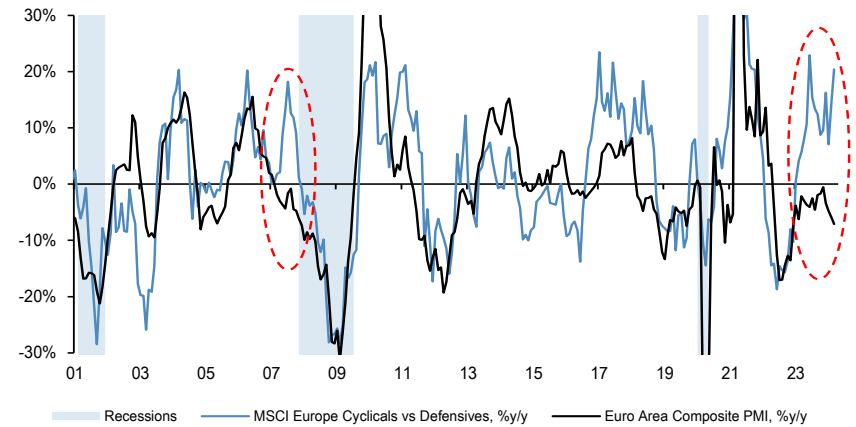
- The gap between Cyclical relative performance and PMIs is significant. We think that the Defensive sectors look likely to catch a bid in 2024.
- At a sector level, Industrials & Financials display the highest positive correlation to PMIs.

European sectors correlation to Eurozone manufacturing PMI



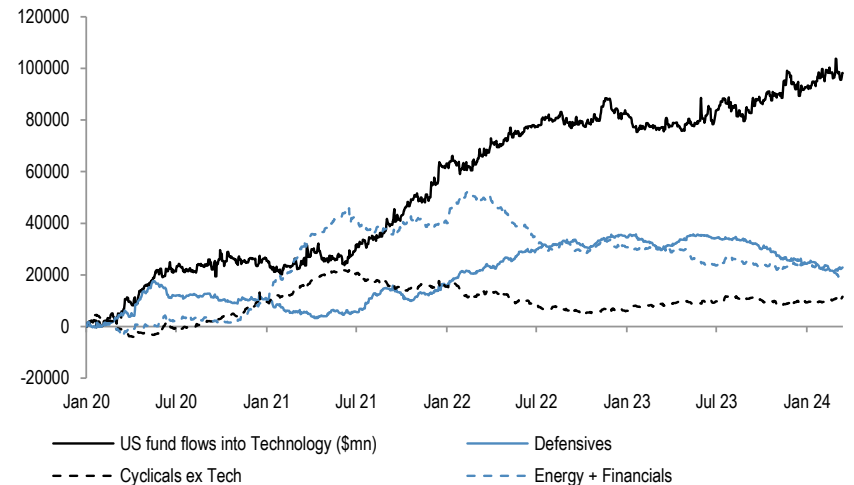
Source: S&P Global, Datastream

European Cyclical vs Defensives and PMI



Source: Datastream

Flows: US Cyclical vs Defensives



Source: Flows & Liquidity team, J.P. Morgan

Baskets of European Cyclical and Defensive

JPM European Cyclical - JPDEECYC

Name	Ticker	Sector
RIO TINTO	RIO LN	Materials
CRH PUBLIC LIMITED (LON)	CRH LN	Materials
HOLCIM	HOLN SW	Materials
ANGLO AMERICAN	AAL LN	Materials
ANTOFAGASTA	ANTO LN	Materials
HEIDELBERG (XET) MATERIALS	HEI GR	Materials
EMS-CHEMIE 'N'	EMSN SW	Materials
AKZO NOBEL	AKZA NA	Materials
SIEMENS (XET)	SIE GR	Industrials
AIRBUS	AIR FP	Industrials
SAFRAN	SAF FP	Industrials
ABB LTD N	ABBN SW	Industrials
VINCI	DG FP	Industrials
DEUTSCHE POST (XET)	DHL GR	Industrials
VOLVO B	VOLVB SS	Industrials
SAINT GOBAIN	SGO FP	Industrials
DSV	DSV DC	Industrials
SANDVIK	SAND SS	Industrials
KONE B	KNEBV FH	Industrials
RHEINMETALL (XET)	RHM GR	Industrials
GEBERIT 'R'	GEBN SW	Industrials
A P MOLLER MAERSK A	MAERSKB DC	Industrials
STELLANTIS	STLAM IM	Discretionary
RICHEMONT N	CFR SW	Discretionary
MERCEDES-BENZ GROUP(XET) N	MBG GR	Discretionary
FLUTTER ENTERTAINMENT	FLTR LN	Discretionary
BMW (XET)	BMW GR	Discretionary
ICTL.HTLS.GP.	IHG LN	Discretionary
PANDORA	PNDORA DC	Discretionary
BURBERRY GROUP	BRBY LN	Discretionary
RENAULT	RNO FP	Discretionary
NEXT	NXT LN	Discretionary
PORSCHE AML.HLDG. (XET) PREF.	PAH3 GR	Discretionary
DELIVERY HERO (XET)	DERH GR	Discretionary
JD SPORTS FASHION	JD/ LN	Discretionary
ZALANDO (XET)	ZAL GR	Discretionary
ASML HOLDING	ASML NA	IT
INFINEON TECHS. (XET)	IFX GR	IT
CAPGEMINI	CAP FP	IT
STMICROELECTRONICS	STMPA FP	IT

Source: Datastream, J.P. Morgan, all stocks are equally weighted in the baskets

JPM European Defensive - JPDEEDEF

Name	Ticker	Sector
NESTLE 'N'	NESN SW	Staples
L'OREAL	OR FP	Staples
UNILEVER (UK)	ULVR LN	Staples
DANONE	BN FP	Staples
PERNOD-RICARD	RI FP	Staples
BEIERSDORF (XET)	BEI GR	Staples
COCA COLA EUROPACIFIC PARTNERS	CCEP LN	Staples
KONINKLIJKE AHOLD DELHAIZE	AD NA	Staples
TESCO	TSCO LN	Staples
IMPERIAL BRANDS	IMB LN	Staples
CHOCOLADEFABRIKEN LINDT & SPRUENGLI	LISN SW	Staples
ESSITY B	ESSITYB SS	Staples
NOVO NORDISK 'B'	NOVOB DC	Health care
NOVARTIS 'R'	NOVN SW	Health care
ASTRAZENECA	AZN LN	Health care
SANOFI	SAN FP	Health care
GLAXOSMITHKLINE	GSK LN	Health care
ROCHE HOLDINGS 'B'	ROG SW	Health care
BAYER (XET)	BAYN GR	Health care
DEUTSCHE TELEKOM (XET)	DTE GR	Comm. Svcs
PUBLICIS GROUPE	PUB FP	Comm. Svcs
CELLNEX TELECOM	CLNX SM	Comm. Svcs
TELENOR	TEL NO	Comm. Svcs
KPN KON	KPN NA	Comm. Svcs
BT GROUP	BT/A LN	Comm. Svcs
VIVENDI	VIV FP	Comm. Svcs
INFRASTRUTTURE WIRELESS ITALIANE SPA		
NPV	INW IM	Comm. Svcs
TELIA COMPANY	TELIA SS	Comm. Svcs
TELE2 B	TEL2B SS	Comm. Svcs
IBERDROLA	IBE SM	Utilities
ENEL	ENEL IM	Utilities
NATIONAL GRID	NG/ LN	Utilities
VEOLIA ENVIRON	VIE FP	Utilities
OERSTED	ORSTED DC	Utilities
ENDESA	ELE SM	Utilities
TERNA RETE ELETTRICA NAZ	TRN IM	Utilities
SEVERN TRENT	SVT LN	Utilities
UNITED UTILITIES GROUP	UU/ LN	Utilities
ACCIONA	ANA SM	Utilities
SSE	SSE LN	Utilities

11) Sustainable yield basket

- A sector neutral list of 40 high- and sustainable-yielding European stocks, with safe and higher than sector median dividends, FCF yield higher than sector median, FCF yield greater than dividend yield and dividend cover greater than 1 and strong balance sheets.

JPM Sustainable yield basket price relative



Source: Bloomberg Finance L.P.

JPM European Sustainable yield basket - JPDESDIV

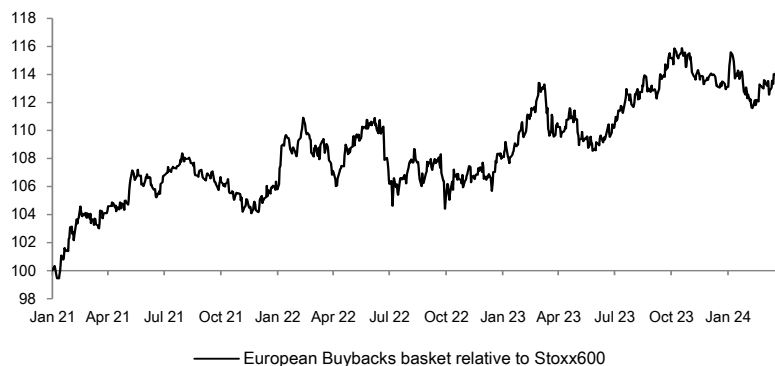
Name	Ticker	Sector	DY
OMV AG	OMV AV	Energy	11.0%
SOLVAY SA	SOLB BB	Materials	10.3%
BRITISH AMERICAN TOBACCO PLC	BATS LN	Staples	10.3%
CAIXABANK SA	CABK SM	Financials	10.2%
INTESA SANPAOLO	ISP IM	Financials	10.1%
SVENSKA HANDELSBANKEN-A SHS	SHBA SS	Financials	9.8%
HSBC HOLDINGS PLC	HSBA LN	Financials	9.7%
IMPERIAL BRANDS PLC	IMB LN	Staples	9.4%
BANCO BPM SPA	BAMI IM	Financials	9.4%
LEGAL & GENERAL GROUP PLC	LGEN LN	Financials	8.9%
TELENOR ASA	TEL NO	Comm. Svcs	8.9%
NORDEA BANK ABP	NDA FH	Financials	8.8%
BT GROUP PLC	BT/A LN	Comm. Svcs	8.4%
COVIVIO	COV FP	Real Estate	8.1%
ENEL SPA	ENEL IM	Utilities	7.9%
FORTUM OYJ	FORTUM FH	Utilities	7.7%
EVONIK INDUSTRIES AG	EVK GR	Materials	6.9%
MERCEDES-BENZ GROUP AG	MBG GR	Discretionary	6.9%
STELLANTIS NV	STLAM IM	Discretionary	6.0%
RENAULT SA	RNO FP	Discretionary	6.0%
NORSK HYDRO ASA	NHY NO	Materials	5.6%
WPP PLC	WPP LN	Comm. Svcs	5.6%
BAYERISCHE MOTOREN WERKE AG	BMW GR	Discretionary	5.3%
KINGFISHER PLC	KGF LN	Discretionary	5.3%
DEUTSCHE LUFTHANSA-REG	LHA GR	Industrials	5.2%
SAINSBURY (J) PLC	SBRY LN	Staples	4.9%
DHL GROUP	DHL GR	Industrials	4.8%
ERICSSON LM-B SHS	ERICB SS	IT	4.8%
TESCO PLC	TSCO LN	Staples	4.5%
VOLVO AB-B SHS	VOLVB SS	Industrials	4.5%
KONE OYJ-B	KNEBV FH	Industrials	4.4%
SANOFI	SAN FP	Health care	4.4%
DAIMLER TRUCK HOLDING AG	DTG GR	Industrials	4.4%
ROCHE HOLDING AG-GENUSSCHEIN	ROG SW	Health care	4.2%
VINCI SA	DG FP	Industrials	4.2%
EIFFAGE	FGR FP	Industrials	4.2%
NOKIA OYJ	NOKIA FH	IT	4.1%
NOVARTIS AG-REG	NOVN SW	Health care	3.9%
GSK PLC	GSK LN	Health care	3.8%
BRENNTAG SE	BNR GY	Industrials	2.8%

Source: Bloomberg Finance L.P., stocks equally weighed in the basket

12) European Buybacks basket

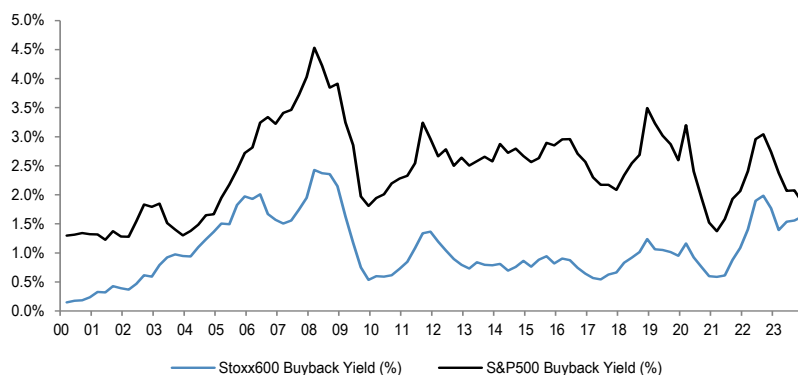
- We believe stocks engaging in buybacks will be rewarded by the market.
- We compile a list of stocks that are currently doing a buyback / are expected to do one in 2024-25.

European buybacks price relative



Source: Bloomberg Finance L.P., J.P. Morgan

European and US buybacks yield



Source: Bloomberg Finance L.P., J.P. Morgan

JPM European Buybacks basket - JPDEEUBB

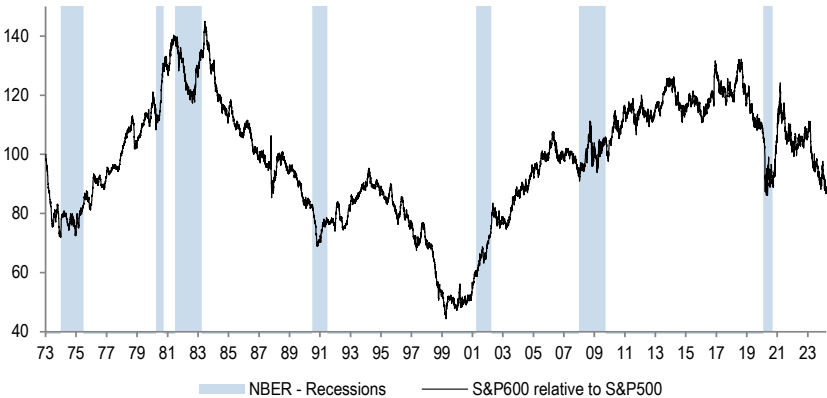
Name	Ticker	Sector	Buyback yield
Rexel SA	RXL FP	Industrials	9.0%
Daimler Truck Holding AG	DTG GR	Industrials	8.3%
Scout24 SE	G24 GR	Comm. Svcs	8.0%
Johnson Matthey PLC	JMAT LN	Materials	8.0%
Repsol SA	REP SM	Energy	7.9%
DSV A/S	DSV DC	Industrials	7.8%
Aegon Ltd	AGN NA	Financials	7.7%
ING Groep NV	INGA NA	Financials	7.5%
AIB Group PLC	AIBG ID	Financials	7.4%
BP PLC	BP/ LN	Energy	7.2%
HSBC Holdings PLC	HSBA LN	Financials	7.1%
UniCredit SpA	UCG IM	Financials	7.0%
Cie de Saint-Gobain SA	SGO FP	Industrials	6.9%
Shell PLC	SHEL LN	Energy	6.9%
Standard Chartered PLC	STAN LN	Financials	6.8%
Imperial Brands PLC	IMB LN	Staples	6.8%
Bank of Ireland Group PLC	BIRG ID	Financials	6.8%
Commerzbank AG	CBK GR	Financials	6.7%
Mercedes-Benz Group AG	MBG GR	Discretionary	6.6%
Carrefour SA	CA FP	Staples	6.4%
Barclays PLC	BARC LN	Financials	5.7%
Danske Bank A/S	DANSKE DC	Financials	5.6%
Tesco PLC	TSCO LN	Staples	5.3%
BAWAG Group AG	BG AV	Financials	5.2%
Pearson PLC	PSO LN	Discretionary	5.0%
Centrica PLC	CNA LN	Utilities	5.0%
Banco de Sabadell SA	SAB SM	Financials	4.5%
Banco Santander SA	SAN SM	Financials	4.4%
NatWest Group PLC	NWGLN	Financials	4.2%
Pandora A/S	PNDORA DC	Discretionary	4.0%
Spectris PLC	SXS LN	IT	4.0%
Lloyds Banking Group PLC	LLOY LN	Financials	3.9%
Koninklijke Ahold Delhaize NV	AD NA	Staples	3.9%
ABN AMRO Bank NV	ABN NA	Financials	3.8%
Societe Generale SA	GLE FP	Financials	3.8%
Deutsche Bank AG	DBK GR	Financials	3.7%
ASR Nederland NV	ASRNL NA	Financials	3.4%
Bayerische Motoren Werke AG	BMW GR	Discretionary	3.3%
Stellantis NV	STLAM IM	Discretionary	3.3%
Berkeley Group Holdings PLC	BKG LN	Discretionary	3.1%
Novo Nordisk A/S	NOVOB DC	Health care	3.0%
ROCKWOOL A/S	ROCKB DC	Industrials	3.0%
Buzzi SpA	BZU IM	Materials	3.0%
Lonza Group AG	LONN SW	Health care	3.0%
Banco BPM SpA	BAMI IM	Financials	3.0%
Banco Bilbao Vizcaya Argentari	BBVA SM	Financials	3.0%
Intesa Sanpaolo SpA	ISP IM	Financials	2.8%
CaixaBank SA	CABK SM	Financials	2.8%
Swiss Re AG	SREN SW	Financials	2.8%
Skandinaviska Enskilda Banken	SEBA SS	Financials	2.7%
NN Group NV	NN NA	Financials	2.7%
Associated British Foods PLC	ABF LN	Staples	2.7%
Novartis AG	NOVN SW	Health care	2.7%
AXA SA	CS FP	Financials	2.7%
Muenchener Rueckversicherungs-	MUV2 GR	Financials	2.5%
Aviva PLC	AV/ LN	Financials	2.3%
KBC Group NV	KBC BB	Financials	2.3%
Heidelberg Materials AG	HEI GR	Materials	2.3%
Carlsberg AS	CARLB DC	Staples	2.3%
Kerry Group PLC	KYGA ID	Staples	2.3%
Coca-Cola HBC AG	CCH LN	Staples	2.1%
CRH PLC	CRH LN	Materials	2.0%
Holcim AG	HOLN SW	Materials	2.0%

Source: Bloomberg Finance L.P., J.P. Morgan, all stocks are liquidity weighted in the basket

13) US small-cap valuations look cheap, but we continue to prefer large caps

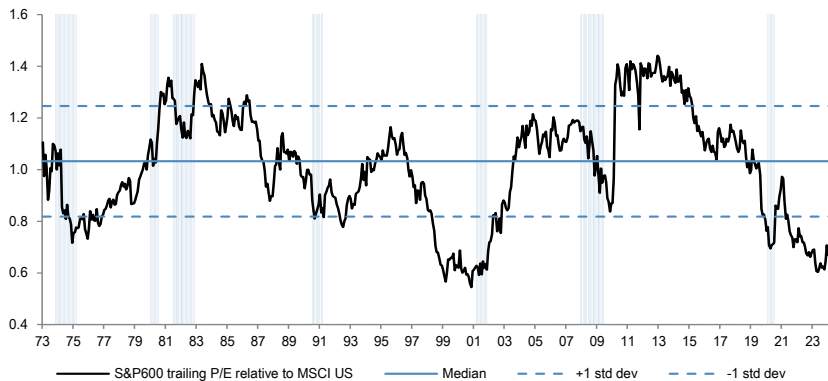
- US small-cap valuations are trading outright cheap relative to large caps.

S&P600 relative to S&P500



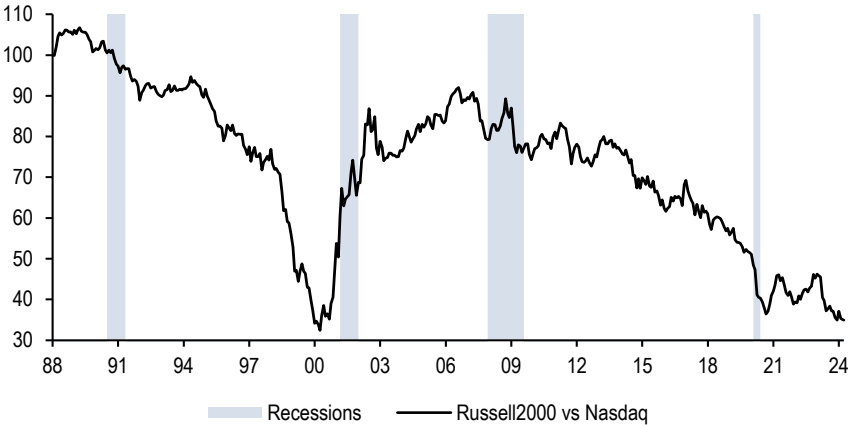
Source: Datastream

S&P600 small caps trailing P/E relative to MSCI US



Source: Datastream, shaded bars denote recession

Russell2000 relative to Nasdaq



Source: Datastream

European Sector Allocation

European sector allocation					
		MSCI Europe Weights	Allocation	Deviation	Recommendation
Energy		5.6%	8.0%	2.4%	OW
Materials		7.0%	6.0%	-1.0%	N
	Chemicals				UW
	Construction Materials				N
	Metals & Mining				N
Industrials		15.8%	14.0%	-1.8%	N
	Capital Goods ex Aerospace & Defence				UW
	Aerospace & Defence				OW
	Transport				N
	Business Services				N
Consumer Discretionary		9.1%	7.0%	-2.1%	UW
	Automobile				UW
	Consumer Durables				N
	Consumer Svcs				UW
	Speciality Retail				UW
	Internet Retail				UW
Consumer Staples		11.7%	13.0%	1.3%	OW
	Food & Drug Retailing				UW
	Beverages				OW
	Food & Tobacco				OW
	Household Products				OW
Healthcare		16.0%	18.0%	2.0%	OW
Financials		18.1%	14.0%	-4.1%	UW
	Banks				UW
	Insurance				N
Real Estate		0.9%	2.0%	1.1%	OW
Information Technology		7.1%	7.0%	-0.1%	N
	Software and Services				N
	Technology Hardware				N
	Semicon & Semicon Equip				UW
Communication Services		4.5%	5.0%	0.5%	OW
	Telecommunication Services				OW
	Media				N
Utilities		4.4%	6.0%	1.6%	OW

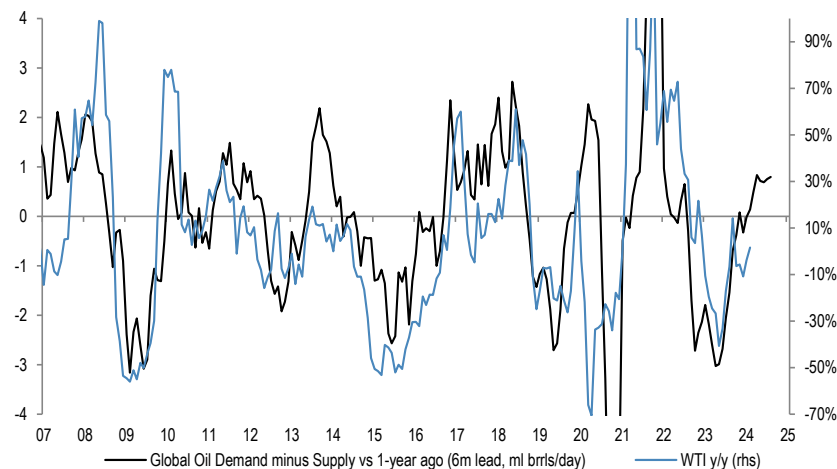
Source: MSCI, J.P. Morgan, Datastream

ENERGY: OVERWEIGHT

Energy sector has lagged the move in oil prices and is a hedge on geopolitics...

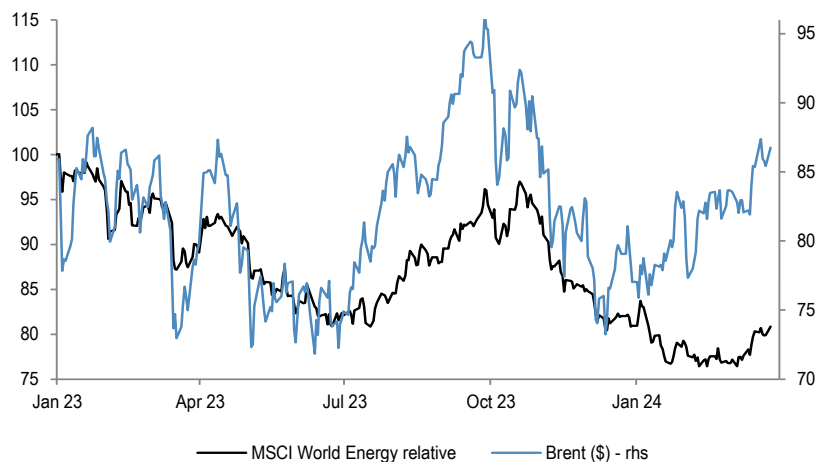
- We upgraded the Energy sector to OW in August 2021, and believe the sector still screens attractive.
- Underlying oil prices remain well supported by current supply-demand dynamics that is aiding the sector. We believe the sector offers attractive risk-reward into 2024 and will continue to work.
- The sector has lagged the move in oil prices.
- European Energy tended to trade more as a Defensive during the phases of weak PMI prints, rather than as a Cyclical.

Global oil demand less supply vs WTI



Source: Bloomberg Finance L.P.

Energy sector relative performance vs oil price



Source: Datastream

Europe Energy relative performance around peak/trough in PMI

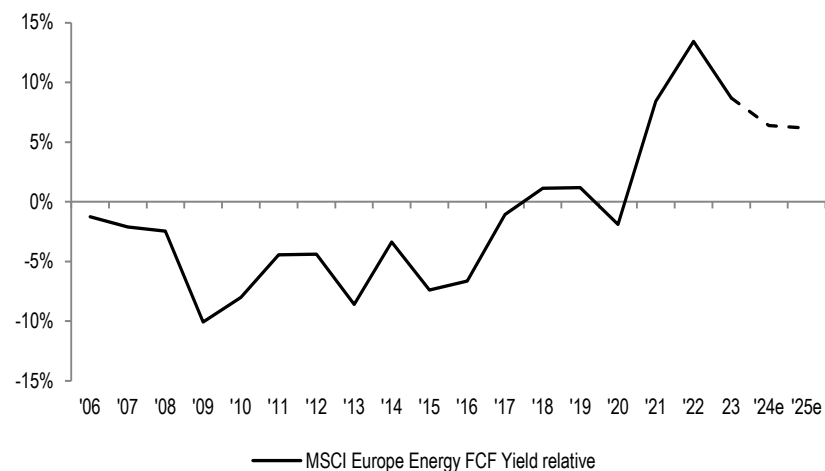
Energy relative performance around trough in PMI					
-6m	-3m	-1m	1m	3m	6m
5%	2%	-1%	-5%	-8%	-12%
Energy relative performance around peak in PMI					
-6m	-3m	-1m	1m	3m	6m
0%	2%	-1%	2%	3%	7%

Source: Datastream

....the sector shows record cheap valuations and high FCF yield

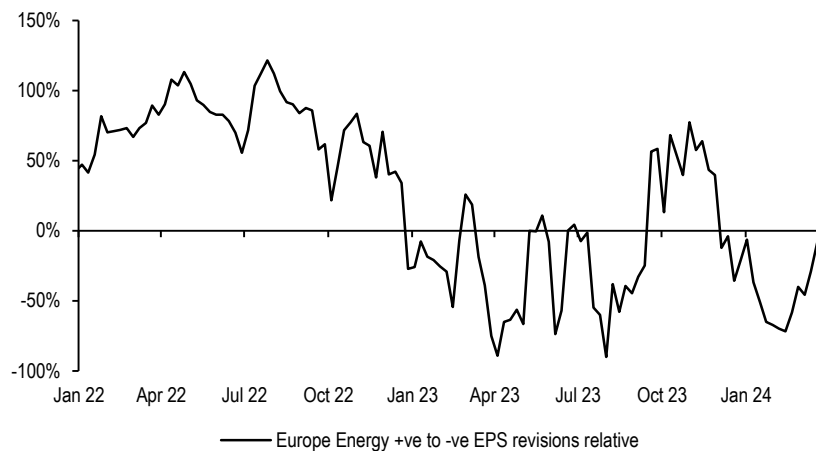
- The sector offers strong free cash flow generation and appears cheap, in our view. The sector is currently trading close to 2 standard deviations below the historical P/E relative to the market.

European Energy FCF yield relative



Source: IBES

European Energy +ve to -ve EPS revisions relative



Source: IBES

European Energy 12m Fwd. P/E relative



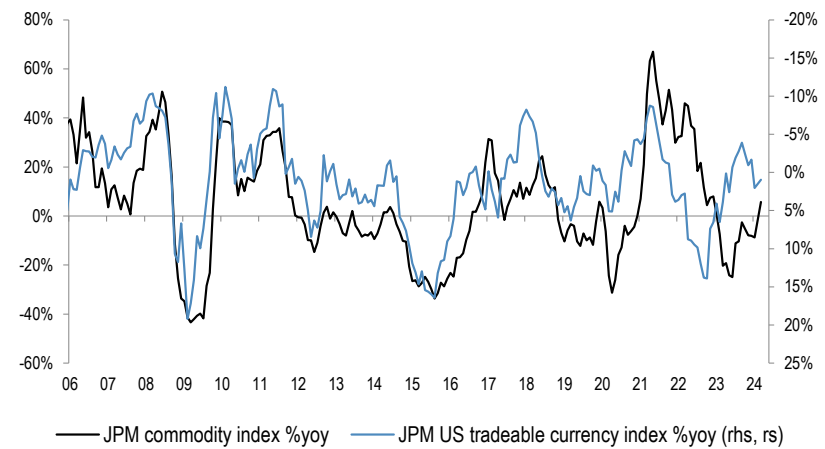
Source: IBES

MATERIALS: NEUTRAL

Neutral Mining – past underperformance was already significant, metal prices are holding up...

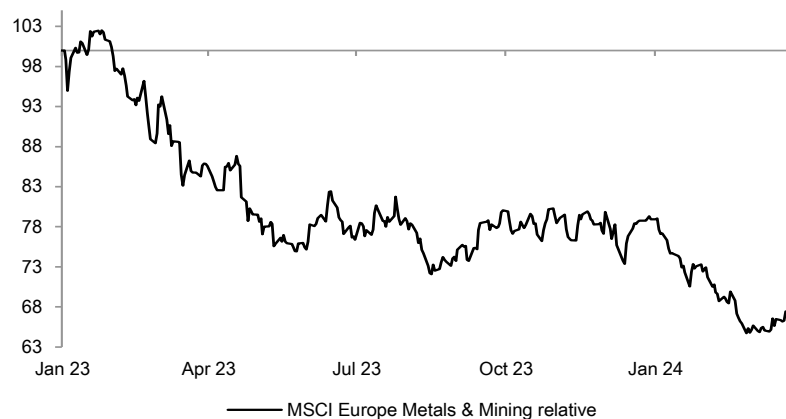
- Miners have done poorly since Jan '23 highs, down almost 35% relative.
- Cheaper valuations, stabilising metal prices and bottoming in China could be the supports.

JPM tradeable USD and Commodity prices



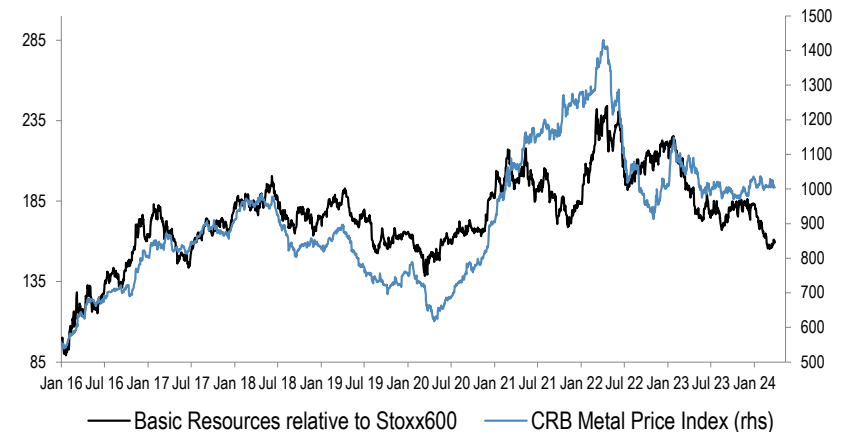
Source: J.P. Morgan, Bloomberg Finance L.P.

European Mining relative



Source: JPM Metals&Mining Research

Mining relative and CRB metal price index



Source: J.P. Morgan

...the sector offers high levels of cash return and earnings could see upgrades

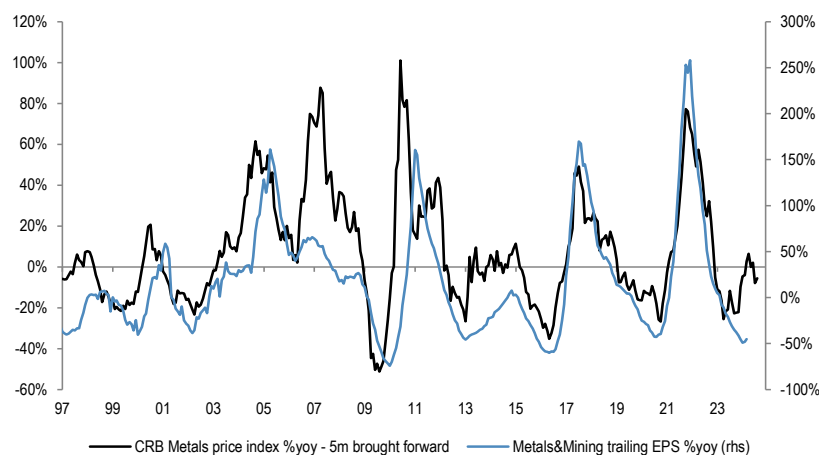
- A number of Miners offer attractive dividends and are also engaging in buybacks.
- We also believe that Mining is likely to see mark-to-market earnings upgrades if spot prices hold around current levels.
- Valuations look less supportive.

2024e DY of key big miners

Name	Ticker	24e DY
RIO TINTO	RIO LN	7.4%
NORSK HYDRO	NHY NO	5.1%
ANGLO AMERICAN	AAL LN	3.9%
VOESTALPINE	VOE AV	3.8%
BOLIDEN ORD SHS	BOL SS	2.9%
GLENCORE	GLEN LN	2.8%
ARCELORMITTAL	MT NA	2.0%
ANTOFAGASTA	ANTO LN	1.3%
MSCI Europe Metal and Mining		3.6%
MSCI Europe		3.5%

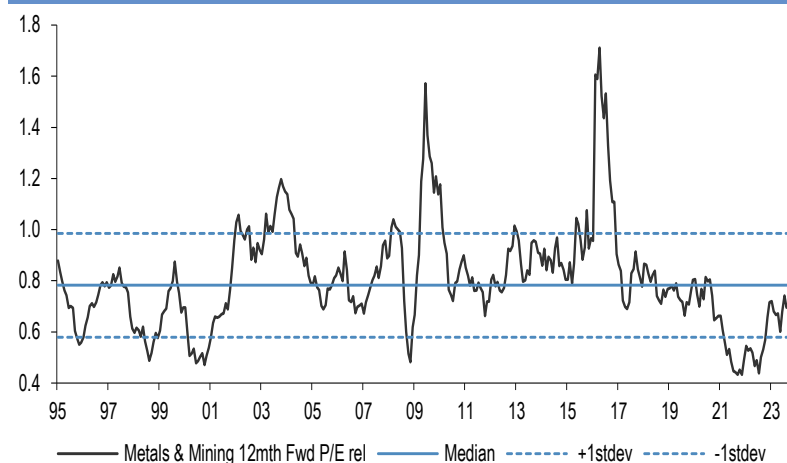
Source: Datastream

Metal prices and Mining EPS



Source: Bloomberg Finance L.P., IBES

European Mining 12m Fwd. P/E relative

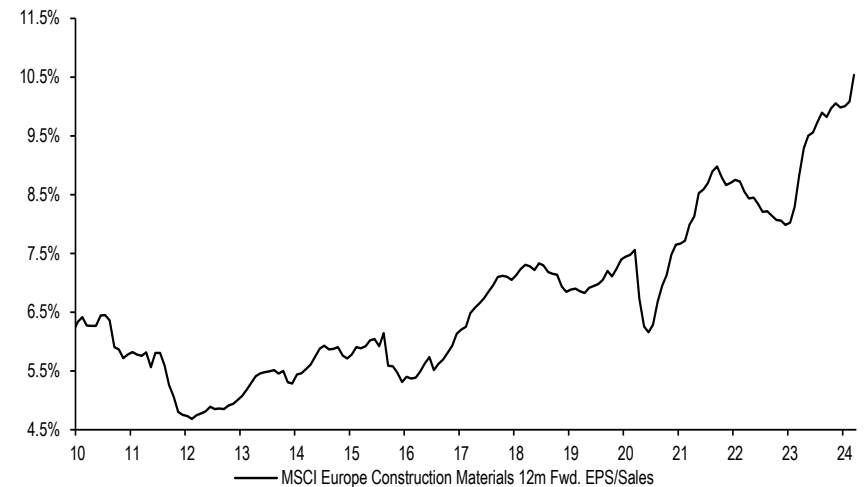


Source: IBES

Neutral Construction Materials – margins may be peaking, the sector faces disappointment from weaker construction activity and lower fiscal spending

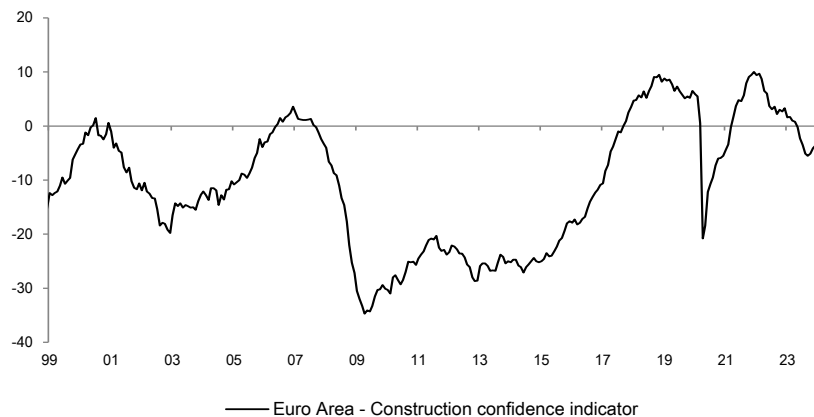
- Construction Materials sector had a very strong run since Jan' 23, up almost 60% relative to the market.
- Cement names have done well on the back of strong pricing. US fiscal spend has also aided sentiment on the sector.
- Base effects will likely become more challenging, especially as countries start to exhibit more fiscal restraint.
- Construction activity has already been rolling over in Europe. Margins which are at record highs can deteriorate.

MSCI Europe Construction Materials 12m Fwd. EPS/Sales



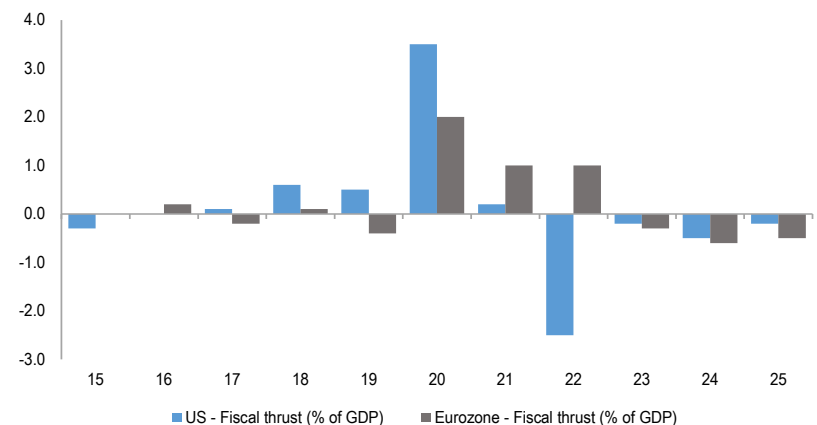
Source: Datastream

Euro area Construction confidence indicator



Source: J.P. Morgan

US and Eurozone Fiscal Thrust

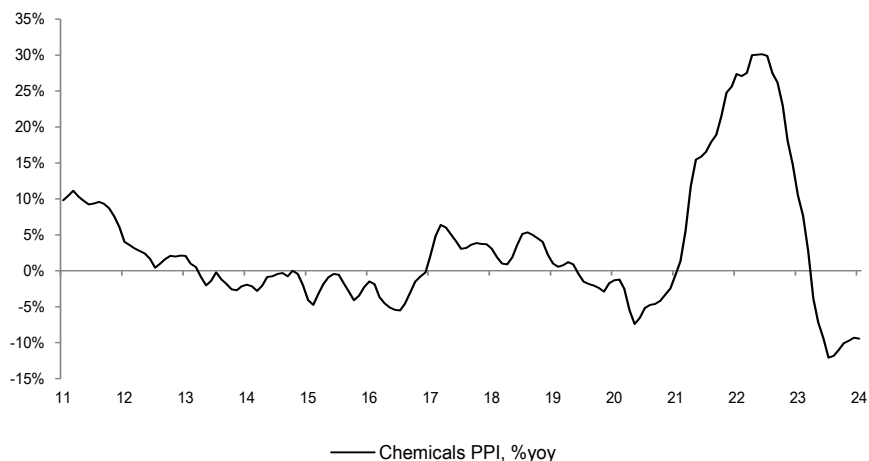


Source: Bloomberg Finance L.P.

UW Chemicals – The sector is trading expensive with still weak growth

- The sector is down roughly 20% since Jan' 22 relative to the market. While some more Cyclical parts of the sector appear cheap, overall Chemicals trade at a 70% premium to the broader market, well above the historical norm.
- Pricing continues to deteriorate.
- Our analysts project that sales growth for the sector will improve significantly. Topline growth improvement for the sector may not sustain, though. Any improvement is contingent on continued macro recovery, which we note is far from guaranteed. We see downside risks to current earnings and margin projections.

Chemicals PPI %yoy



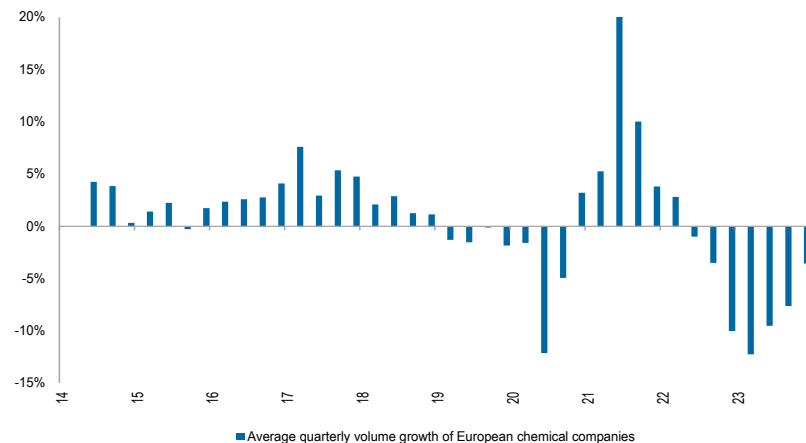
Source: Bloomberg Finance L.P.

European Chemicals 12m fwd P/E relative



Source: IBES

European Chemicals volume growth



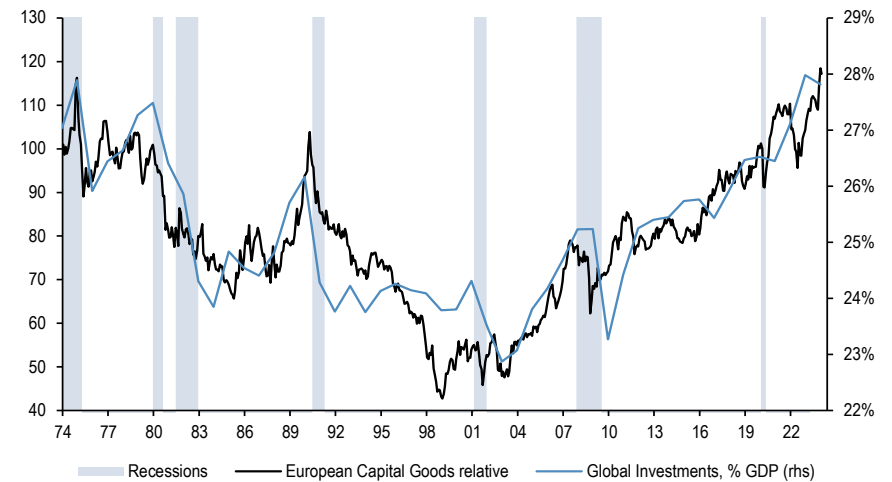
Source: J.P. Morgan Chemicals Research, *23Q4 is forecast

INDUSTRIALS: NEUTRAL

UW Capital Goods ex A&D – trading at multi-year price relative highs and valuations look expensive...

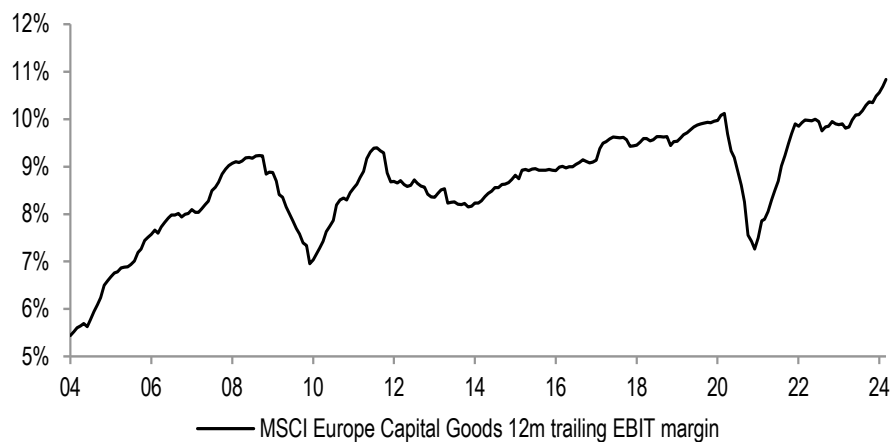
- The European Capital Goods sector has seen strong outperformance last year and is trading at multi-year price relative highs. This could start to reverse as we are already seeing signs of weakness in short-cycle demand.
- This has pushed the sector's relative valuations to record levels. Capital Goods are trading at a roughly 40% P/E premium to the market.
- Not only are the sector's valuations at peak levels, but margins also appear toppish.

European Capital Goods relative and global investments as a share of GDP



Source: Datastream

MSCI Europe Capital Goods 12m trailing EBIT margin



Source: IBES

European Capital Goods 12m forward P/E relative

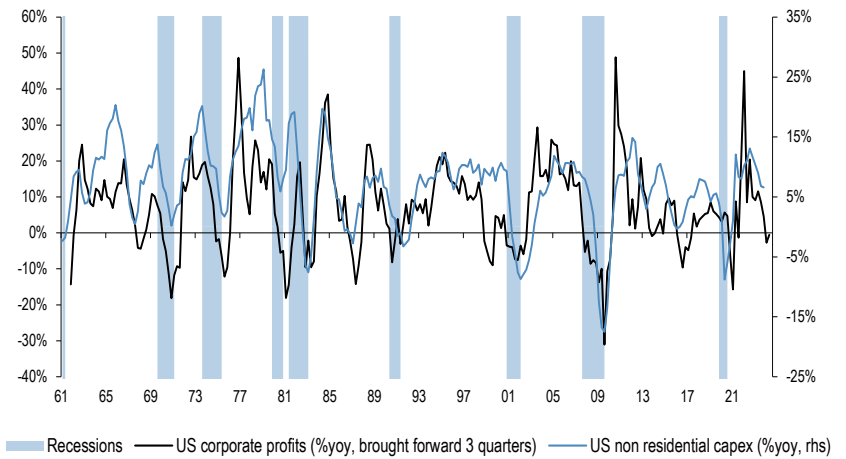


Source: IBES

...Cap Goods could come under pressure if activity momentum doesn't accelerate sustainably, Capex is at risk

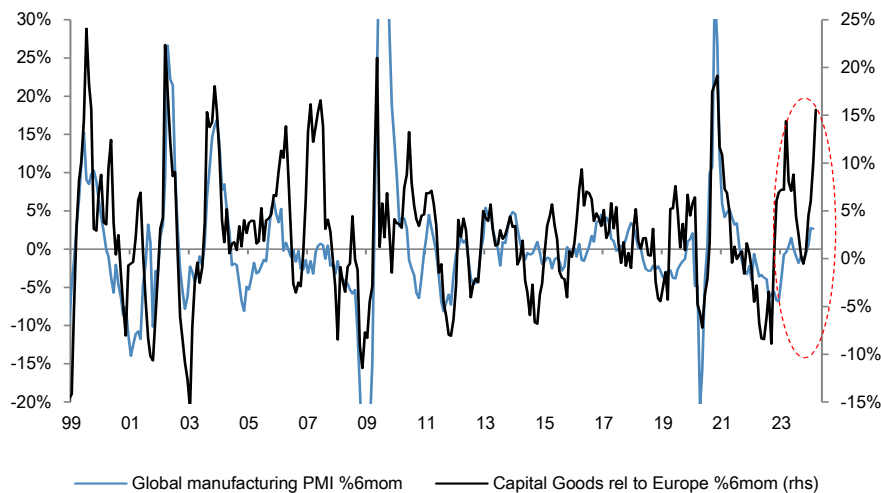
- The sector benefitted hugely from the significant upmove in global capex over the last couple of decades. Our sector analysts now see a more challenged capex outlook for this year.
- In the past, the sector's relative performance has been closely aligned to the trajectory of composite PMIs and to IP.
- We believe one should start to fade the recent bounce in the sector as earnings, margins and multiples could all come under pressure if activity momentum doesn't accelerate sustainably.

US Non-residential capex and NIPA corporate profits



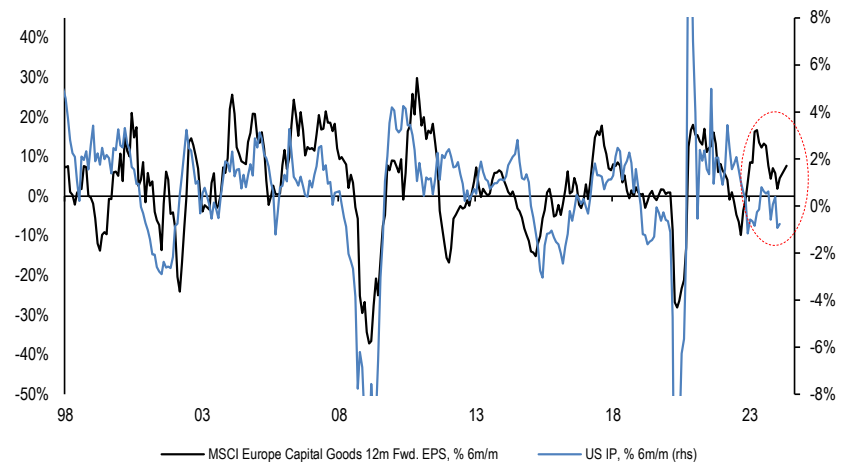
Source: J.P. Morgan, BEA

European Capital Goods rel and global manufacturing PMI



Source: IBES

European Capital Goods EPS relative and Global IP



Source: Datastream

We stay OW Aerospace & Defense

- Aerospace & Defense has outperformed the market by more than 85% since Jan'22.
- Our sector analysts see continued support for orderbooks over the next few years as countries look to reverse decades of underspending on Defence.
- On the Civil Aviation side, IATA forecasts that 2024 global air traffic will reach 105% of 2019 levels, a 9% improvement versus 2023. The sector displays a strong order backlog, in addition to sticky pricing.

European Aerospace and Defensives relative



Source: Datastream

NATO - defence budgets by country

Country	Defence Budget (Govt defined) % of GDP 2023E	Defence Budget (NATO defined) % of GDP 2023E	Defence spending pledge since Feb- 22	Year when spending increase begins	Year when spending target achieved	Current status
Germany	1.6%	1.6%	EUR 100bn extra spending	From 2023	72	Feb 2022: €100bn special defence fund to be spent from 2023 to 2027 / 28
France	1.9%	1.9%	7% pa growth to 2030	From 2024	Est. 2030	Jul 2023: Govt approves defence spending growth of 7% pa from 2024 to 2030
Italy		1.5%	2.0% of GDP		2028	Sep 2022: New govt confirmed support for 2% of GDP by 2028
Netherlands		1.7%	2.0% of GDP		2024 / 25	Jun 2022: Govt approved 2% of GDP in 2024 & 2025
Spain		1.3%	2.0% of GDP	From 2023	2029	Nov 2022: Parliament approved significant increase in 2023 defence spending
Poland		3.9%	4.0% of GDP	From 2023	2023	Aug 2023: PM says defence spending will be over 4% of GDP in 2024
Norway		1.7%	2.0% of GDP	From 2022	2026	May 2023: PM announced intention of at least 2% of GDP by 2026
Czech Rep.		1.5%	2.0% of GDP		2024	Jun 2023: Govt approved law on defence spending of at least 2% of GDP from 2024
Portugal		1.5%	1.89% of GDP		2024	Commitment to reach 1.89% of GDP in 2024 if Portugal gets necessary EU funds
Lithuania / Estonia / Latvia		2.5%	All 3 nations: 2.5% of GDP	From 2022	2025	Estonia and Lithuania by 2022; Latvia by 2025
Sweden	1.3%		2.1% of GDP		2024	
Finland	2.5%		EUR 2bn extra spending		2022-26	
Austria	0.8%		1.5% of GDP		2027	

Source: JPM European Aerospace and Defense Research

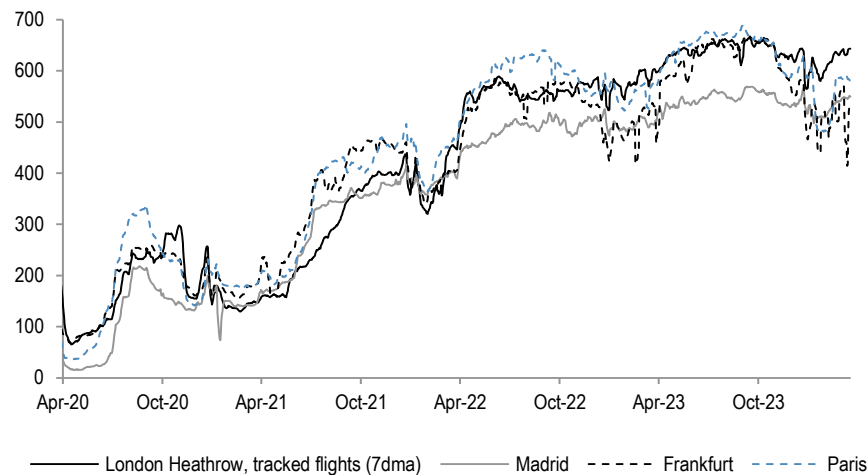
Neutral Transport

- A combination of higher oil prices and more downbeat demand expectations have weighed on the Airlines stocks. We believe these will continue to disappoint.
- The easy base effects from reopening for the sector are largely behind us.
- Passenger capacity has been ramping up and is expected to grow another 5-10% this year. Unless demand remains exceptionally strong, higher capacity will likely further cannibalize pricing.

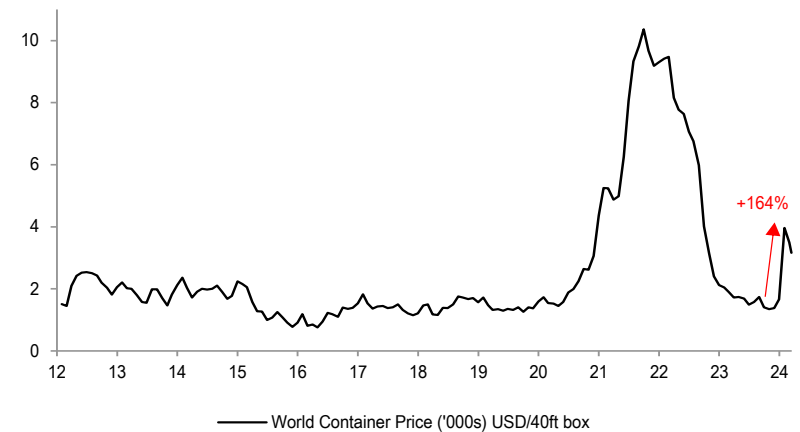
MSCI Europe Airlines relative



Flights tracked - Europe Airports



World Container price

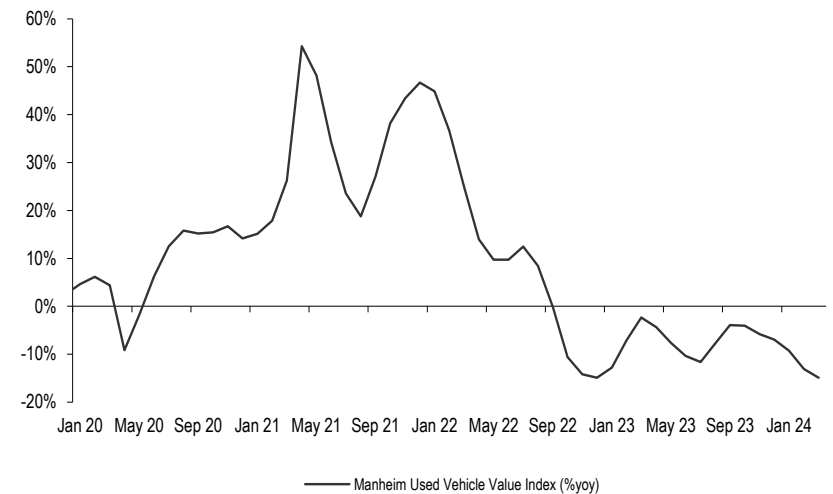


CONSUMER DISCRETIONARY: NEUTRAL

UW Autos – cheap, but vulnerable to potential slowing in consumer...

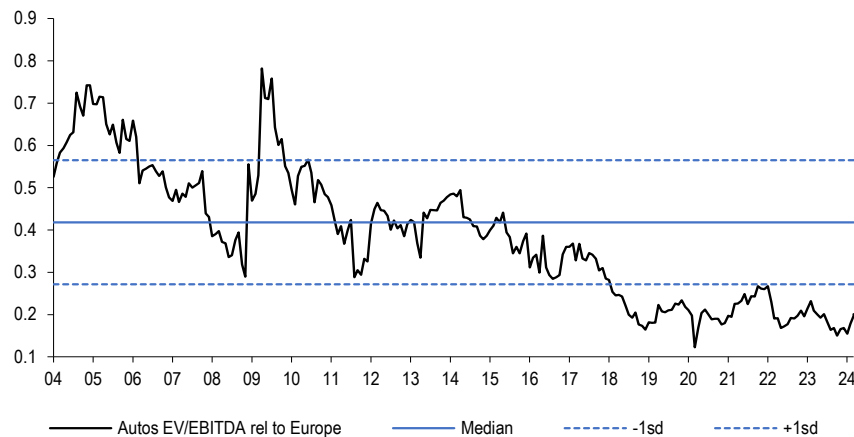
- We remain UW the Autos sector, expecting Autos to struggle going forward, especially if the pricing and the consumer outlook deteriorate.
- Autos look cheap on a range of valuation measures, such as Price to Book, as well as on EV/EBITDA. However, the sector is strongly correlated to activity momentum, and could be hurt as PMIs stay subdued.
- EPS for the sector remains closely aligned with the activity momentum. We think there could be some softness in activity going forward.

Manheim Used Vehicle Index



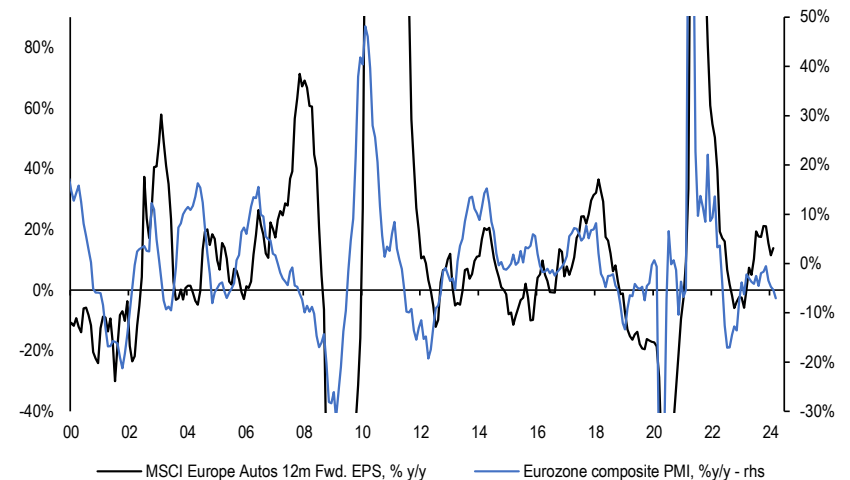
Source: Bloomberg Finance L.P.

Autos EV/EBITDA relative



Source: Datastream

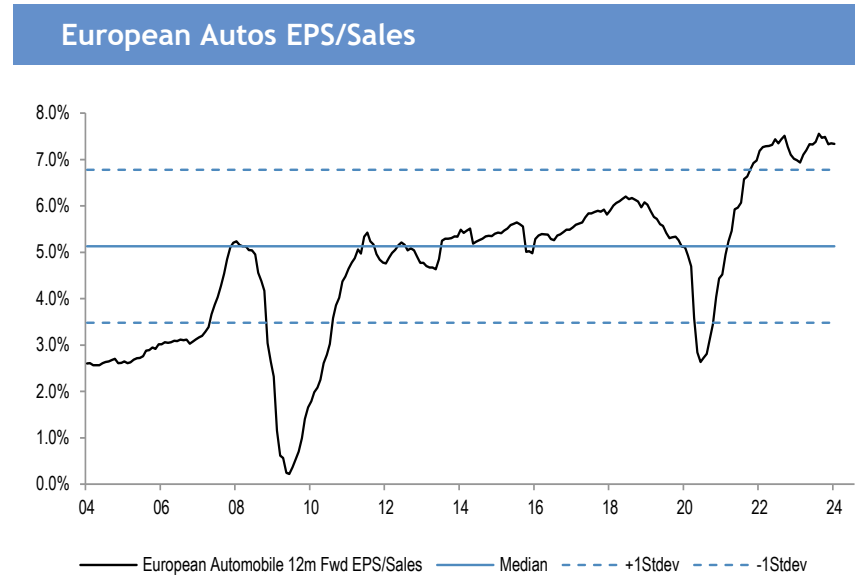
European Autos EPS and Euro composite PMI



Source: Datastream

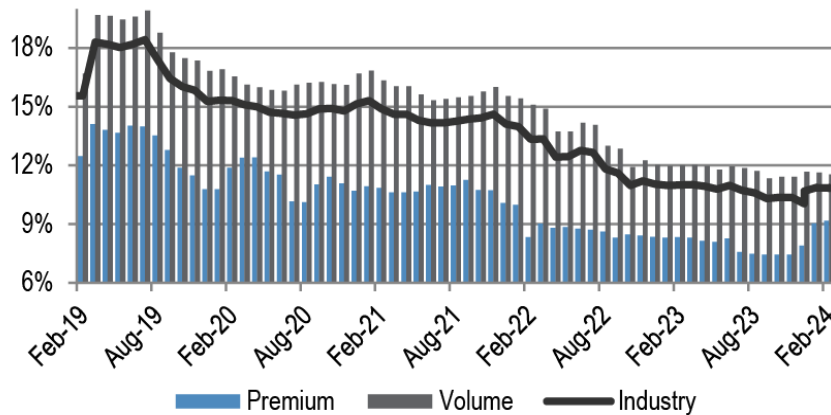
...softening demand could become a headwind, and pricing could come under pressure

- Strong pricing and better mix drove the sector margins to record highs, but we think margins are peaking, as a combination of rising inventory and weaker demand could hurt pricing.
- We are already seeing higher discounts and incentives in the pivotal Chinese car market. We believe this could prove ominous for other regions, including Europe and the US. Our bottom-up analysts have a more benign outlook for the sector and believe pricing may hold up.



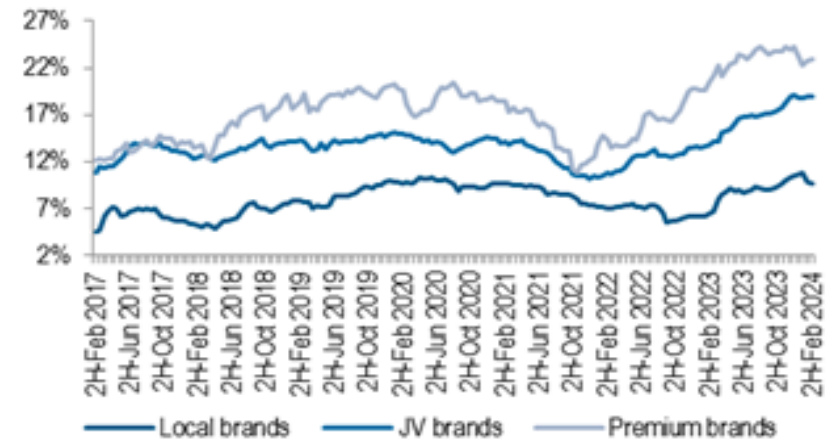
Source: IBES

Weighted average discounts across Europe



Source: JPM European Autos Research Team

Incentives levels in China (%)

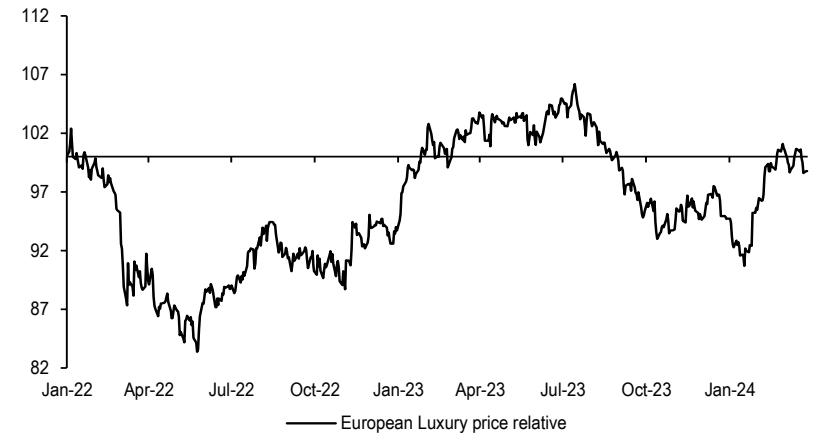


Source: JPM European Autos Research Team

N Consumer Durables – China play, but still expensive

- The European Consumer Durables (Luxury) sector has recovered from recent lows, but its valuations are not attractive and the Chinese consumer outlook remains uncertain.

European Luxury price relative



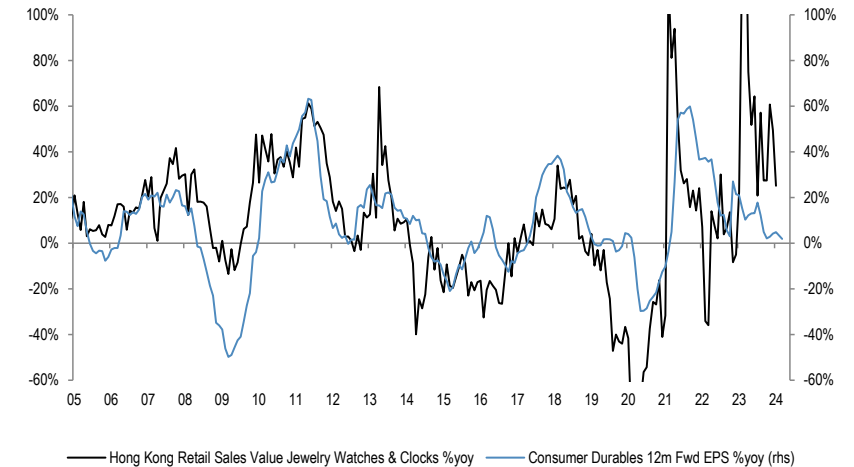
Source: Datastream

European Luxury 12m Fwd P/E relative



Source: IBES

HK SAR Jewelry watches sales vs Durables 12m Fwd EPS



Source: IBES, Bloomberg Finance L.P.

UW Consumer services – easy base effects are behind us

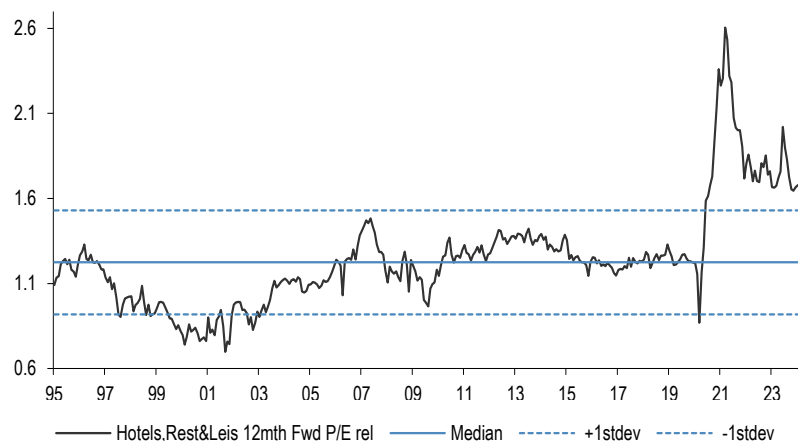
- The consumer services sector had a very strong run in the 1H of last year but has rolled over since. We believe the headwinds will keep increasing. Earnings trends for the sector have also been relatively strong, driven by strong pricing and occupancy rates, and should see normalization soon.
- RevPAR trends are starting to roll over. We believe that the sector will likely struggle as the trend of “revenge travel” winds down.
- The sector does not have a clear valuation support, in our view.

European Hotels, Restaurants & Leisure price relative



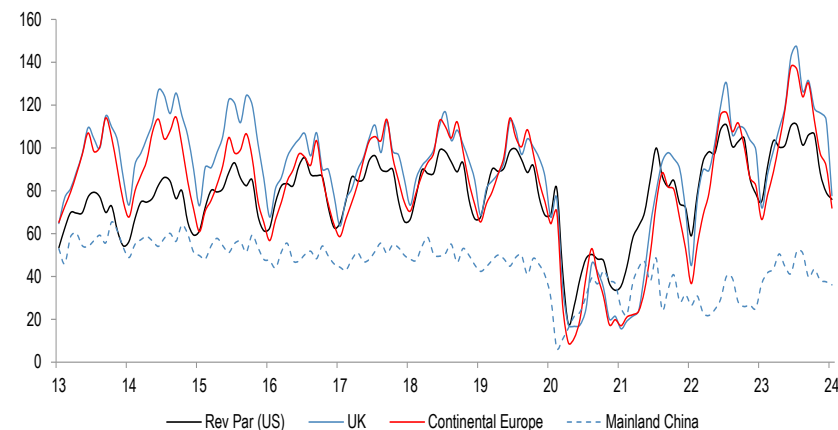
Source: Datastream

European Hotels, Rest & Leisure 12m Fwd P/E relative



Source: IBES

Absolute RevPar for key regions

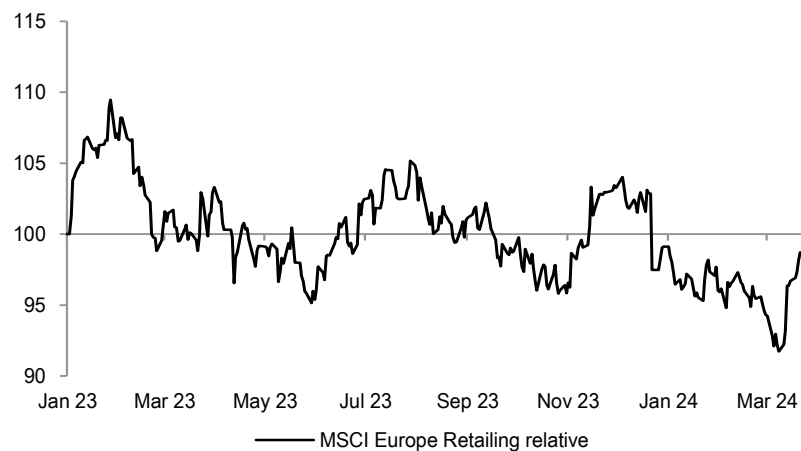


Source: J.P. Morgan European Leisure, Hotels and Gaming research

UW Retail – consumer outlook still remains challenged

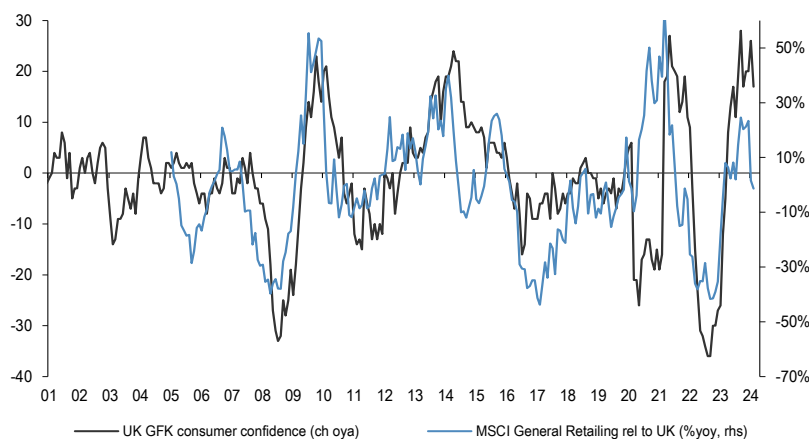
- The General retail sector has had a mixed 2023 and could struggle going forward. The consumer outlook could remain challenged, especially if we start to see meaningful labour market weakness.
- We note that valuations have derated and the sector no longer screens expensive.

European Retailing price relative



Source: Datastream

UK Retailing relative performance vs consumer Confidence



Source: Bloomberg Finance L.P., Datastream

European Retailing 12m Fwd P/E relative



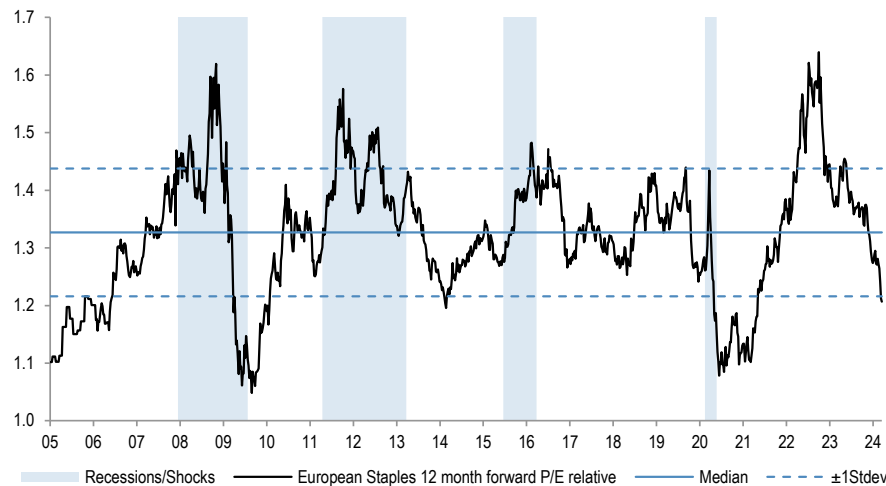
Source: IBES

CONSUMER STAPLES: OVERWEIGHT

Valuations have improved

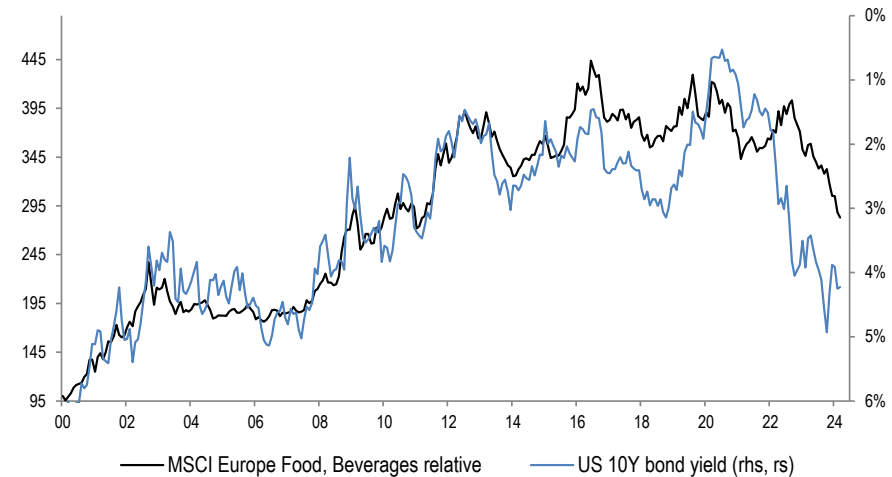
- European Staples had a poor run last year, as rising bond yields weighed on the sector. However, the sector should trade better going forward: the sector typically outperforms around the final Fed hike in the cycle. Also, we expect bond yields to move lower, which should help the sector.
- Valuations of the sector are not expensive anymore, they have derated, and are now on the cheap side of fair value.
- The gold to copper ratio - which symbolizes economic stress - has been rising in recent weeks and has in the past been a good proxy for the sector's relative performance. The recent divergence is notable, and should not last, in our view.

MSCI Europe Staples 12m Fwd PE relative



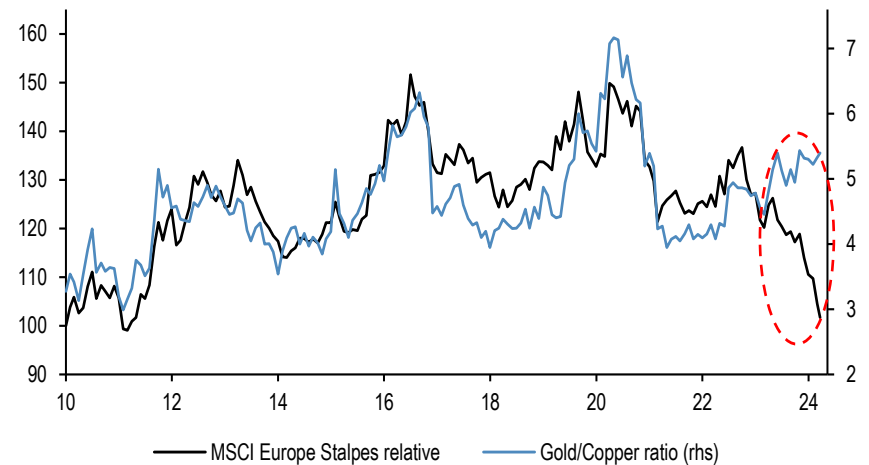
Source: IBES

MSCI Europe Food & Beverages vs US 10Y bond yield



Source: Datastream

European Staples relative and gold-copper ratio



Source: Datastream, Bloomberg Finance L.P.

J.P.Morgan

UW Food & Drug Retail – falling Food CPI and PPIs, and increased price competition are a problem

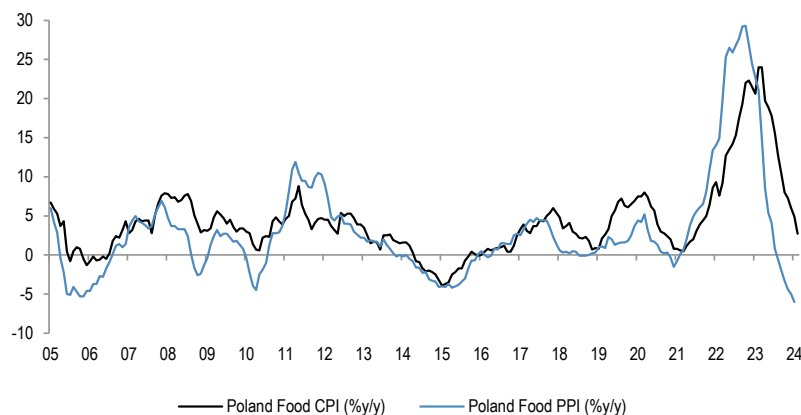
- Food Retail is likely to see increased price competition and our analysts project that margins for most companies will contract in 2024, with flat to low-single-digit volume growth.
- Falling PPIs and CPIs add to the pricing concerns. Food inflation is coming down at a rapid pace and is already in negative territory for some regions.
- JPM Agricultural commodity index has been weakening, suggesting further downside for the sector earnings.

European Food Retail companies' margins

	Earnings metric	Earnings margin y/y			
		1H23	2H23E*	2023E*	2024E*
Tesco UK	Adj. EBIT, IFRS 16	47	39	43	(16)
Sainsbury's	Adj. EBIT, IFRS 16	(4)	(17)	(11)	(7)
B&M UK	Adj. EBITDA, IAS 17	82	61	69	(38)
Ahold Europe	Adj. EBIT, IFRS 16	(43)	(13)	(28)	21
Carrefour Europe	Adj. EBIT, IFRS 16	(8)	(13)	(12)	2
B&M France	Adj. EBITDA, IAS 17	15	(23)	(12)	10
Carrefour France	Adj. EBIT, IFRS 16	36	44	37	(4)
Colruyt	Adj. EBITDA, IAS 17	225	7	114	129
Jeronimo Portugal	Adj. EBITDA, IAS 17	1	8	6	(34)
Tesco CE	Adj. EBIT, IFRS 16	(163)	(227)	(176)	(26)
Jeronimo Poland	Adj. EBITDA, IAS 17	(10)	(23)	(17)	(19)
Ahold US	Adj. EBIT, IFRS 16	13	(18)	(3)	(16)
Average		16	(14)	1	0

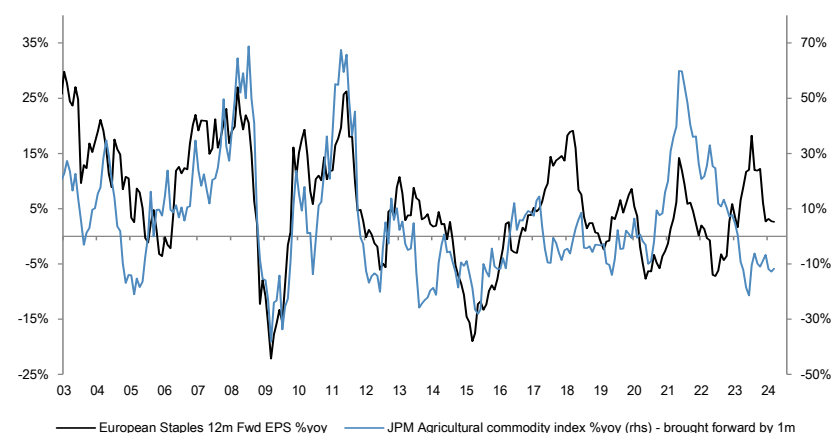
Source: J.P. Morgan European Food retail research,* 2023A for Ahold and Carrefour

Poland Food CPI vs PPI



Source: Bloomberg Finance L.P.

European Staples 12m Fwd EPS vs JPM Agriculture commodity index

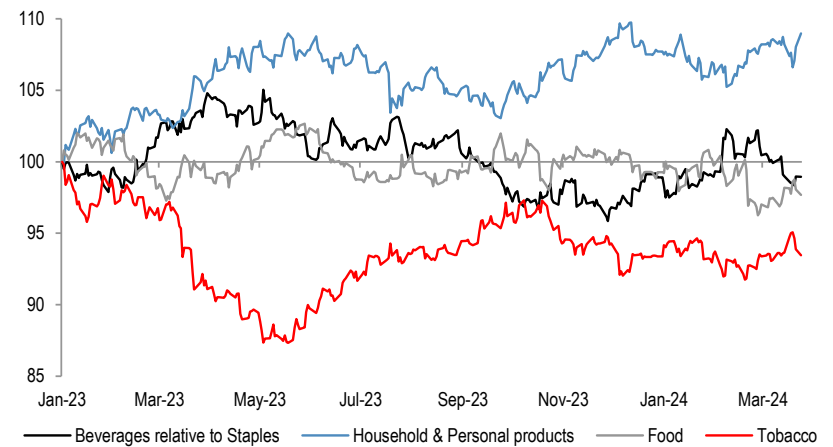


Source: IBES, J.P. Morgan

OW Food, Beverage and Tobacco – underperformance could be an opportunity to add to the sector

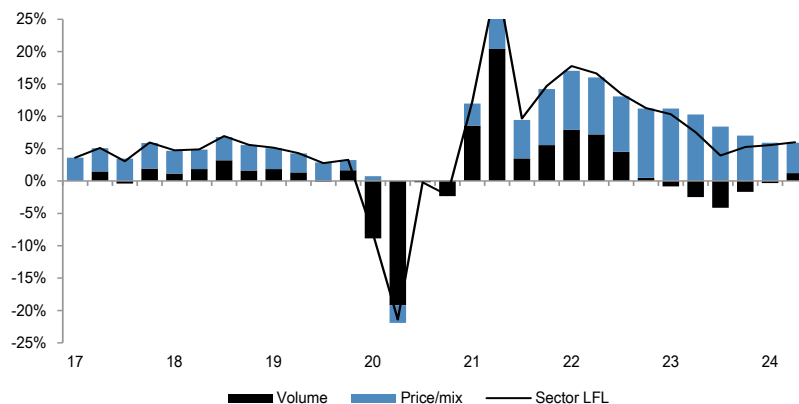
- Within Staples, Tobacco stocks have struggled the most last year. Regulatory issues in the US weighed on the sector, but the outlook from here might be less concerning.
- Beverages have fared relatively better. Volumes for the sub-sector have been weak last year but are projected to inflect higher from here.
- For the Beverage sub-sector, volumes and margins are expected to improve as COGS (energy and grain prices) recede. Our sector analysts expect pricing to soften but are overall less bearish on the pricing / mix.

MSCI Europe Staples sub-sector performance relative



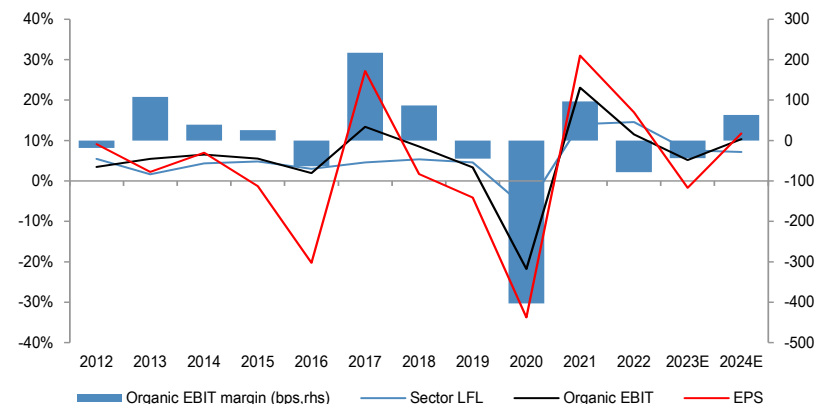
Source: Datastream

European Beverages top-line LFL, volume vs pricing



Source: J.P. Morgan European Staples Research, *2023Q4 and 2024 are forecasts

European brewer EBIT Margin and EPS

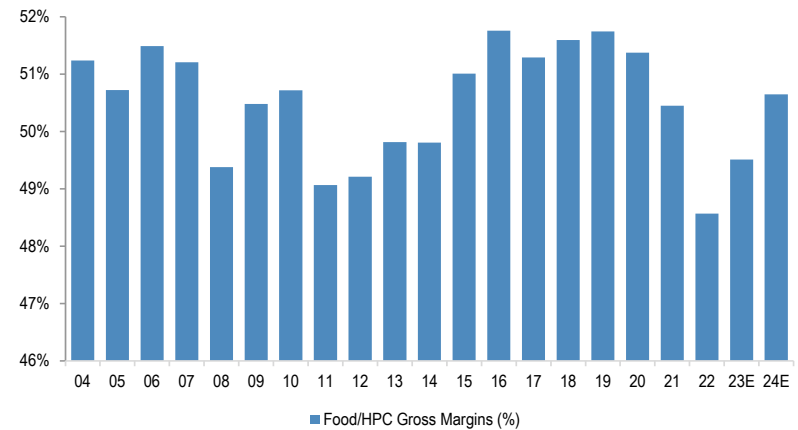


Source: J.P. Morgan European Staples Research

OW Household and Personal products – declining COGS could drive margin recovery

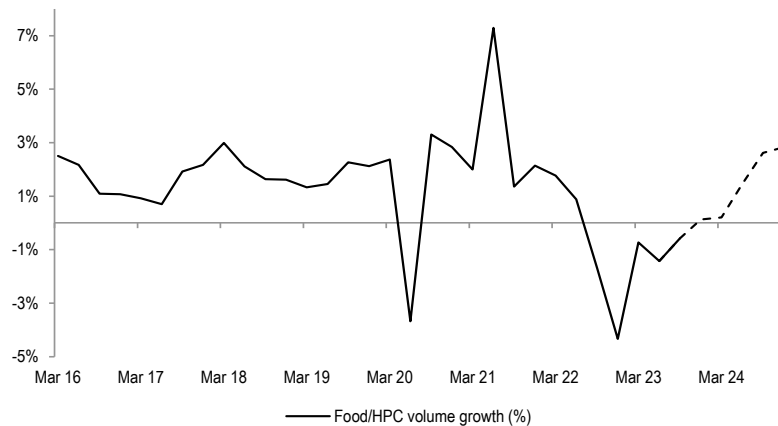
- Volume growth for the food / HPC subsector is expected to rebound over the coming quarters.
- Our sector analysts are also calling for margins to improve as somewhat softer pricing is more than offset by declining COGS. Falling commodity prices should be a significant tailwind for the sector in 2024.
- Valuations looked stretched at the start of last year, but we note now are on the cheap side of fair value.

European Food & HPC Adj. Gross margins



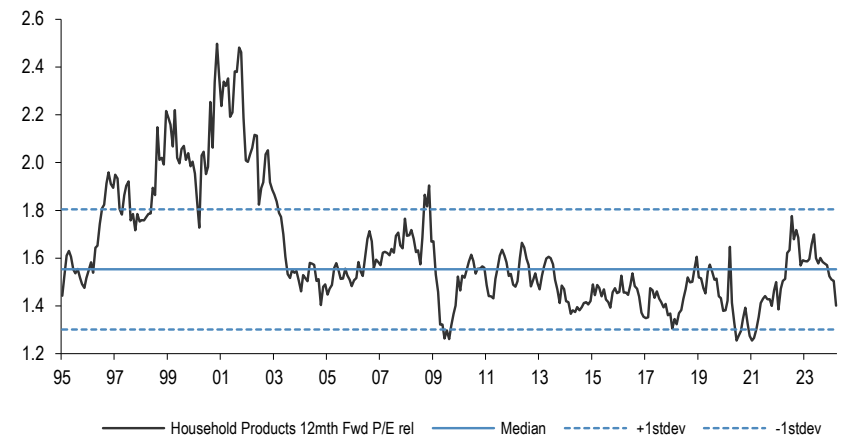
Source: J.P. Morgan European Staples research

European Food/HPC volume growth



Source: J.P. Morgan European Staples research

European HPC 12m Fwd. P/E relative



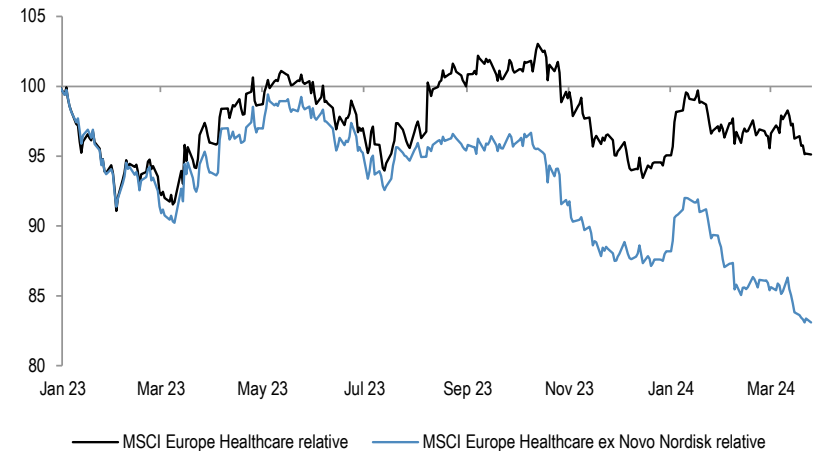
Source: IBES

HEALTHCARE: OVERWEIGHT

Potential for lower yields and stronger dollar are the supports...

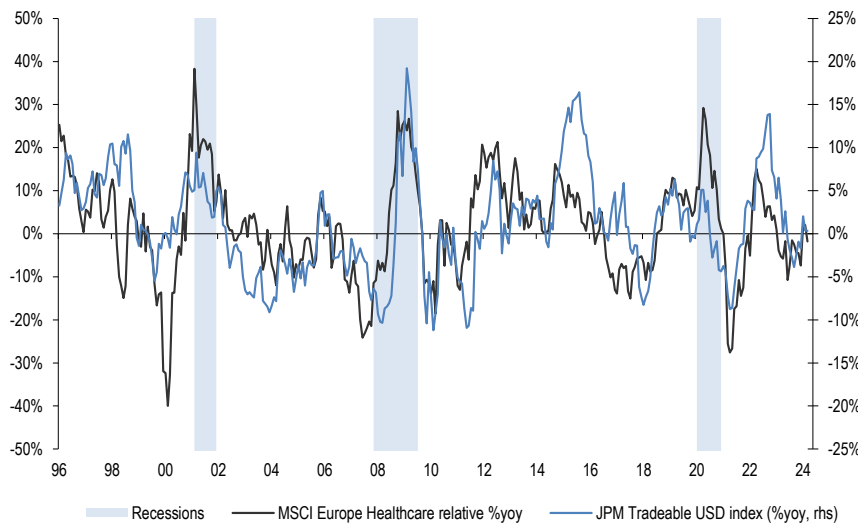
- Most of the sector performance can be attributed to a single stock, Novo Nordisk. Excluding Novo, Healthcare is down 5% relative to the market since 2023, which was supported by its GLP-1 drug.
- The sector has meaningful USD revenue exposure and tends to do better against a stronger dollar backdrop.
- However, valuations remain in expensive territory.

European Healthcare relative



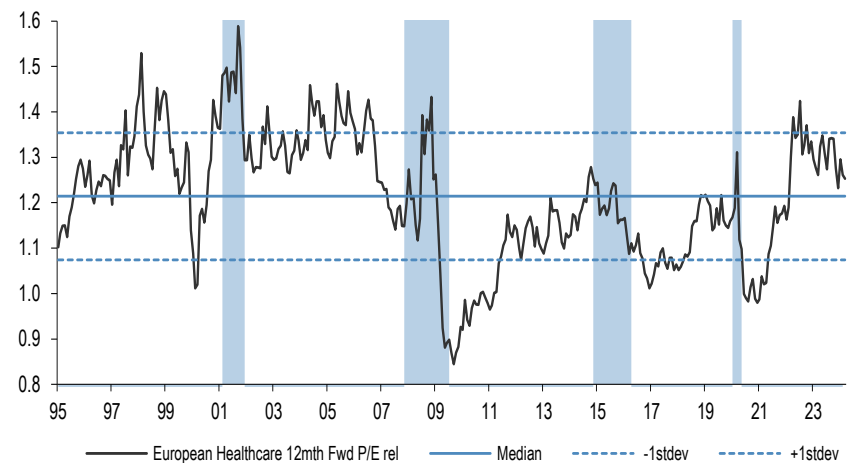
Source: Datastream

MSCI Europe Healthcare relative and tradeable USD



Source: Bloomberg Finance L.P.

European Healthcare 12m Fwd PE relative

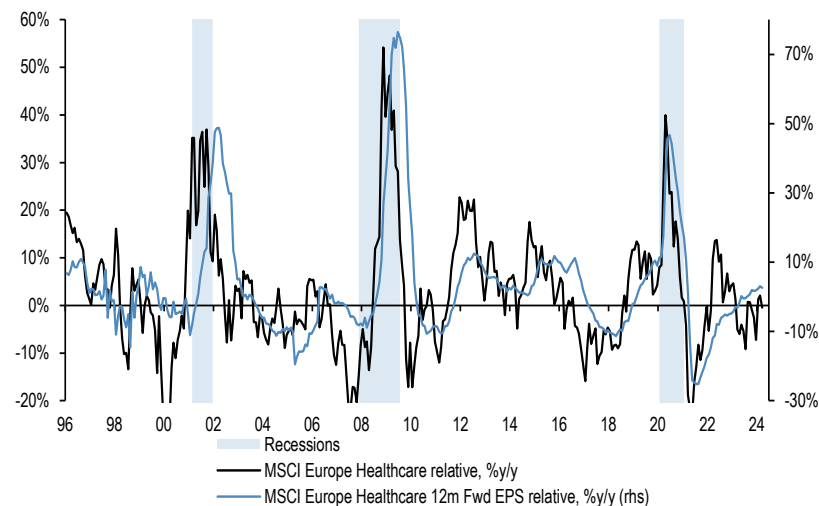


Source: IBES

...earnings are holding up, risk from patent expiry is limited in the near term

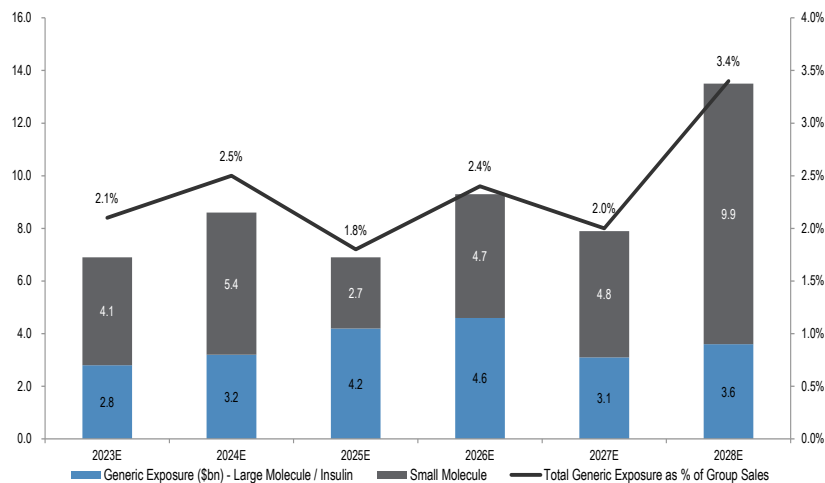
- Our sector analysts see upside potential to earnings, with new drugs pipeline, and patent expiry risk only at the end of the decade.
- Being a defensive sector, earnings are better insulated than the overall market during periods of economic weakness.
- The sector is also a traditional bond-proxy and should be helped if bond yields move lower.

European Healthcare 12m Fwd EPS and price relative



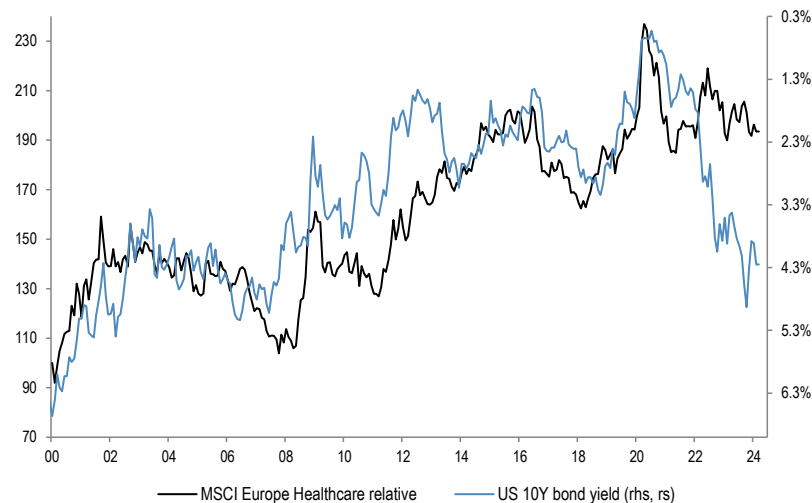
Source: IBES

Pharma Generics erosion timeline



Source: JPM European Healthcare Research

Healthcare price relative and 10Y bond yield



Source: Datastream

FINANCIALS: UNDERWEIGHT

UW Banks – downgraded in Q4 post a strong 3 year run...

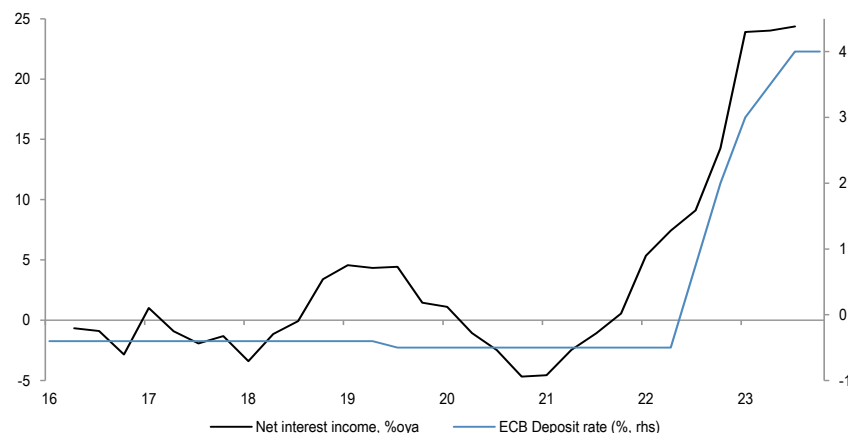
- We have downgraded the sector in Q4 of last year, after 3 years of outperformance, driven by the improvement in earnings momentum. While the sector still screens attractive on P/E relative metric, we believe that the advantage of higher rates is now behind us, and NII for Banks is likely to peak out, as deposit betas rise, Euribor curve falls and risks from new bank taxes increase.
- At 20x, leverage ratio for Banks is the highest among all sectors, putting them at risk if the macro environment weakens.

MSCI Eurozone banks relative



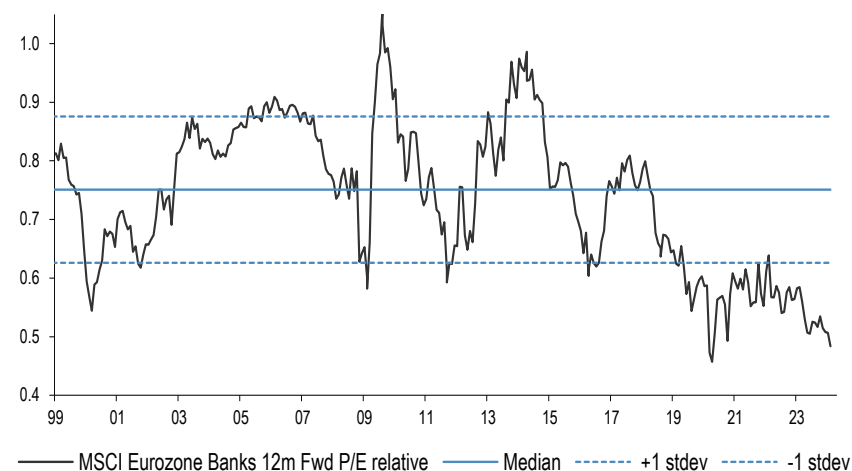
Source: Datastream

Banks Net interest income and ECB deposit rate



Source: J.P. Morgan

Eurozone Banks 12m Fwd P/E relative

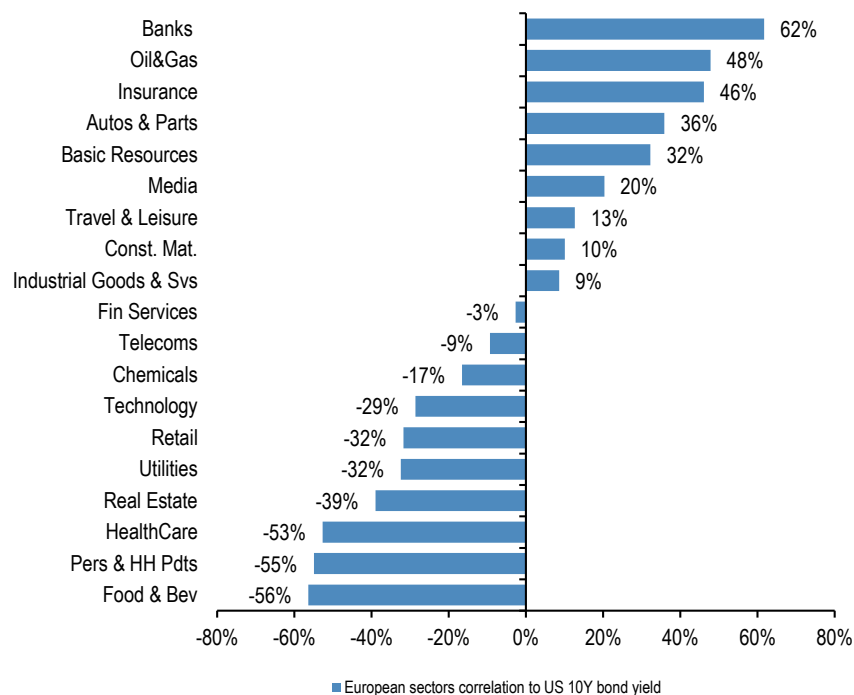


Source: IBES

...bond yields and PMIs direction is the key for the potential P/E re-rating of the sector... we think both will move lower...

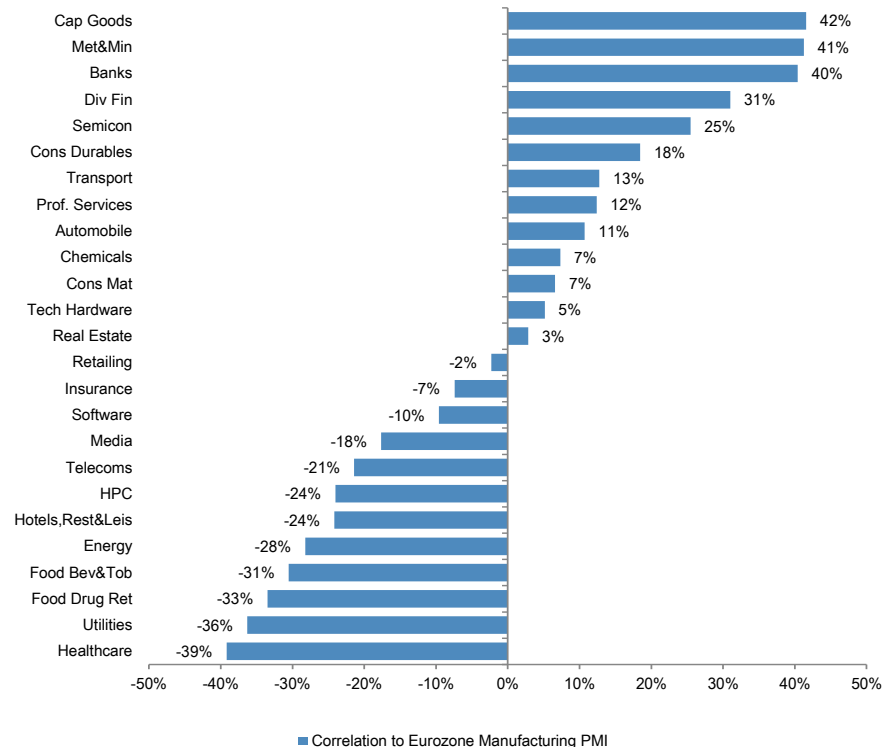
- Banks exhibit the highest sensitivity to the direction of bond yields, out of all sectors. If yields move lower, as we expect, that will be a problem for Banks.
- Similarly, Banks are unlikely to work if PMIs are weakening.

European sectors correlation to bond yields



Source: Bloomberg Finance L.P.

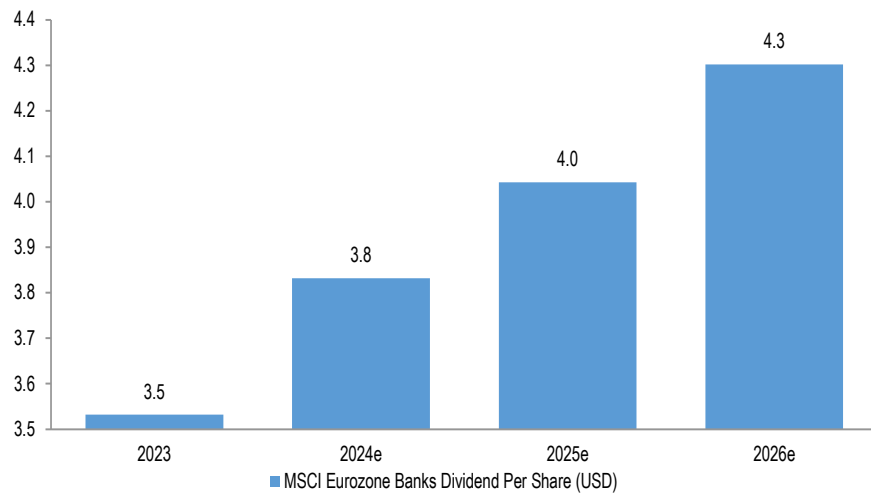
European sectors correlation to Eurozone manufacturing PMI



Source: Bloomberg Finance L.P.

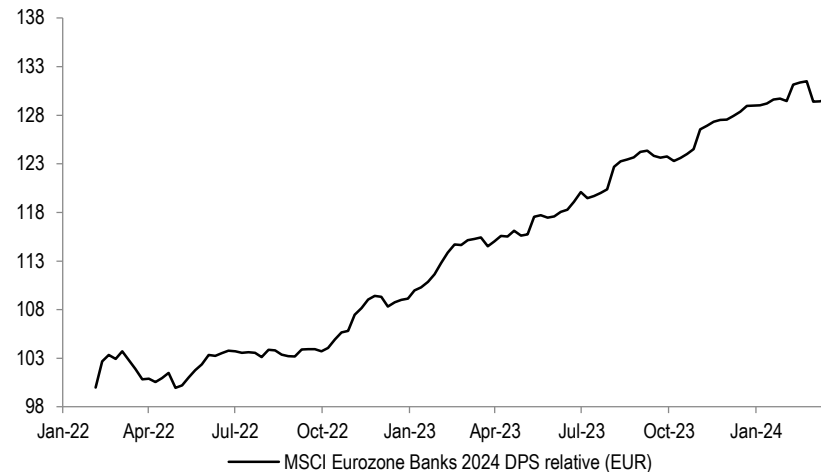
...this could imperil dividends outlook, which was the bright spot over the past two years

Eurozone Banks dividends projections



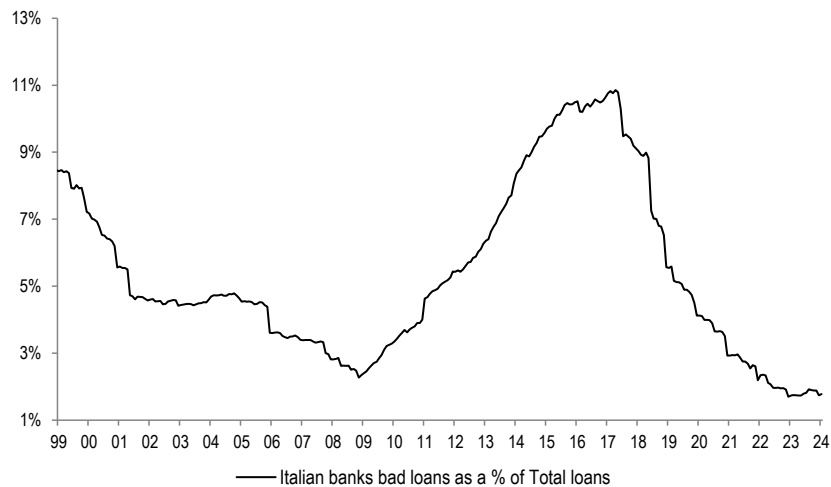
Source: IBES

MSCI Eurozone Banks 2024 DPS forecast relative



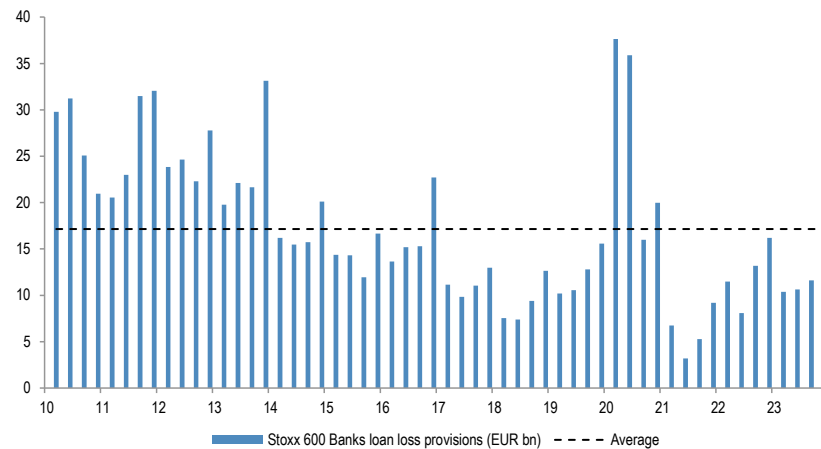
Source: IBES

Italian bad loans as a % of total loans



Source: Banca d'Italia

Stoxx 600 Banks loan loss provisions

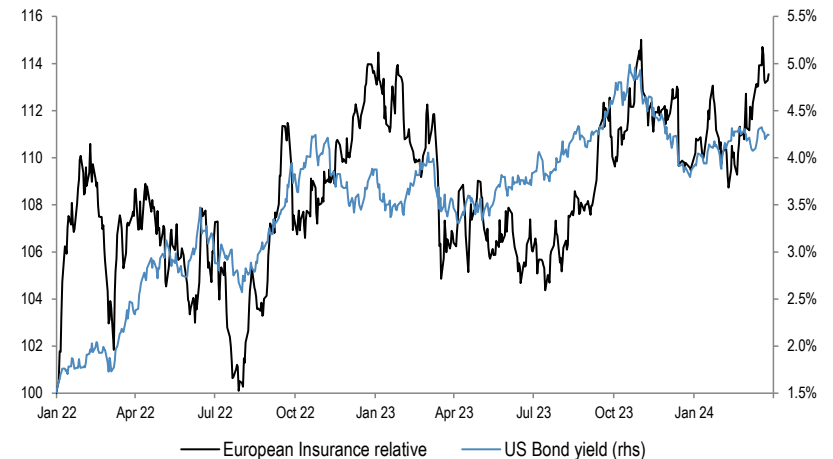


Source: Bloomberg Finance L.P.

N Insurance – closely linked to bond yields and credit spreads, strong capital position and pricing is a support

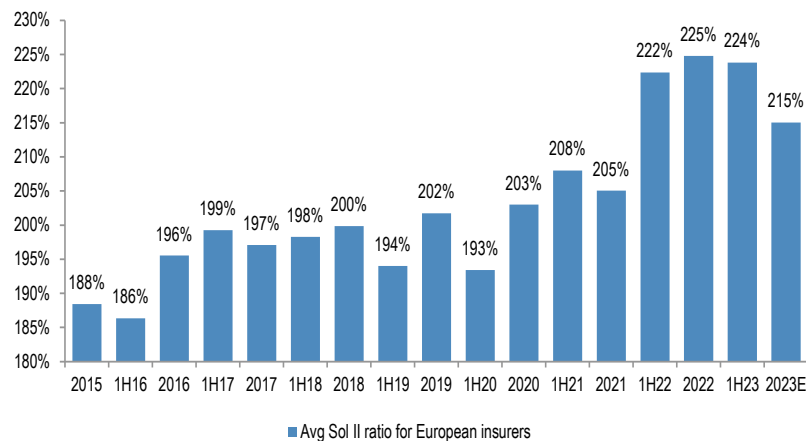
- The sector has a strong positive correlation with bond yields and will likely struggle if bond yields fall.
- Global and US property catastrophe rates are at their highest levels since 2006 and our analysts don't think they will be coming down any time soon. This underpins the case for strong pricing for the sector.
- Earnings for the sector remain well supported by strong growth in premiums, and pricing power is likely to remain high.

European Insurance relative and US 10Y bond yield



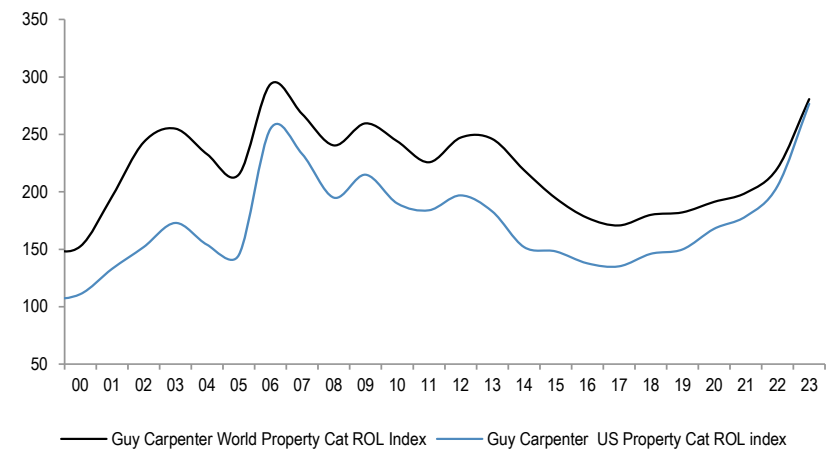
Source: Bloomberg Finance L.P.

Avg Sol II ratio for European Insurers



Source: JPM European Insurance Research

Guy Carpenter US and World Property Cat ROL Index



Source: JPM European Insurance Research

REAL ESTATE: OVERWEIGHT

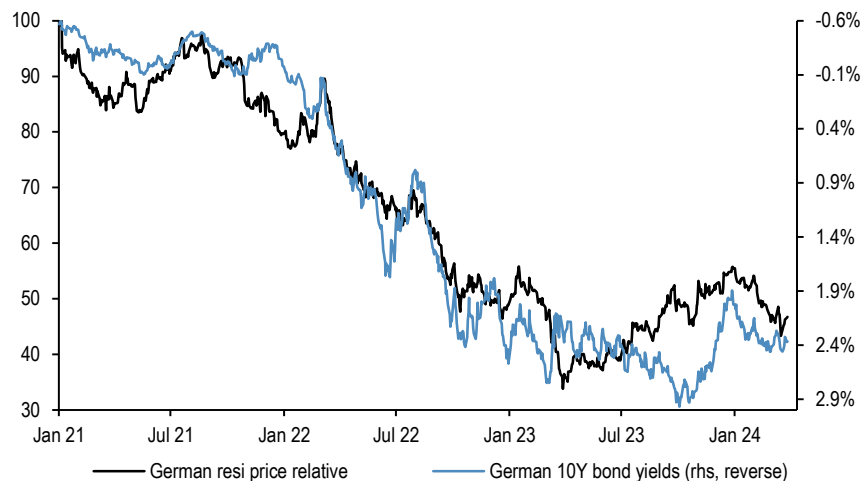
Bond proxy; we upgrade the sector to OW after the sizeable underperformance

- The Real Estate sector has lost nearly half of its market capitalization relative to the market since Jan '21. Given the weak underperformance, we upgraded the sector to OW in November.
- The sector is a bond proxy and does well when yields are moving lower.
- We also note that Real Estate companies are starting to get more comfortable with the growth outlook. The London office market has seen the highest volume of new office starts on record – with 5.1 million square feet (sq. ft.) of new construction starting across 43 schemes – according to Deloitte’s Winter 2023 London Office Crane Survey. This is an almost a 16% jump versus 2022.



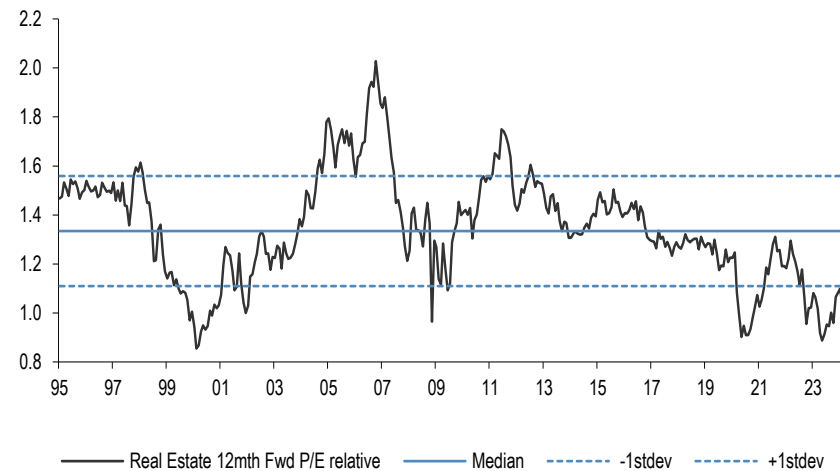
Source: Datastream

German Real Estate price relative and German bond yields



Source: Bloomberg Finance L.P.

MSCI Europe Real Estate 12m Fwd P/E relative



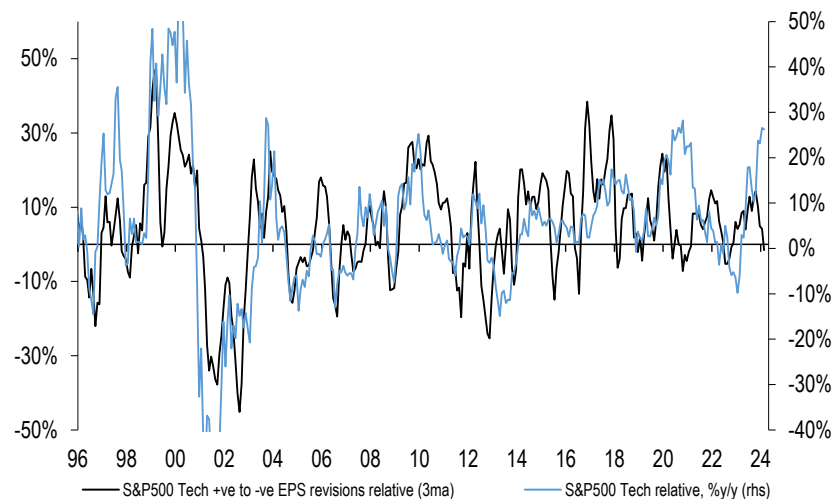
Source: Datastream

TECHNOLOGY: NEUTRAL

We were constructive on Tech since October '22... it is still supported, but the sector is looking stretched, post a strong run...

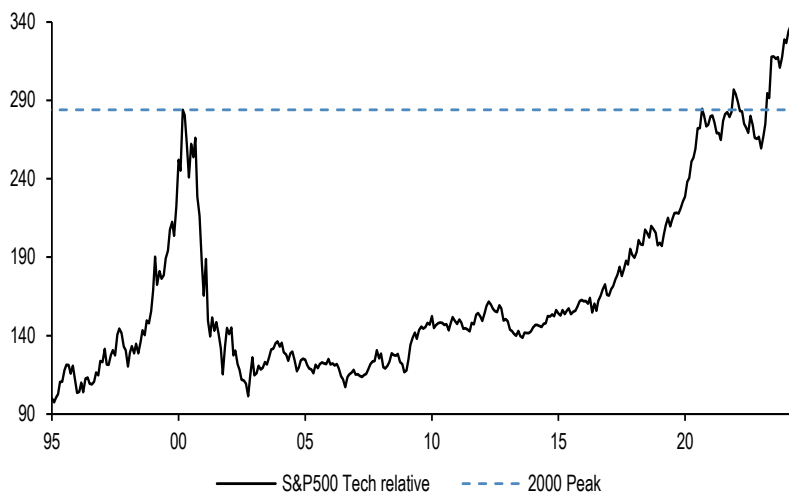
- We have argued in October '22 that one should be buying back the Technology sector, following the sharp bout of prior underperformance.
- While we believe in bond yields to move lower, and advise a structural Growth exposure, we are uncomfortable to chase the Tech sector, post the strong run since last year.

US Tech +ve to -ve EPS revisions and performance



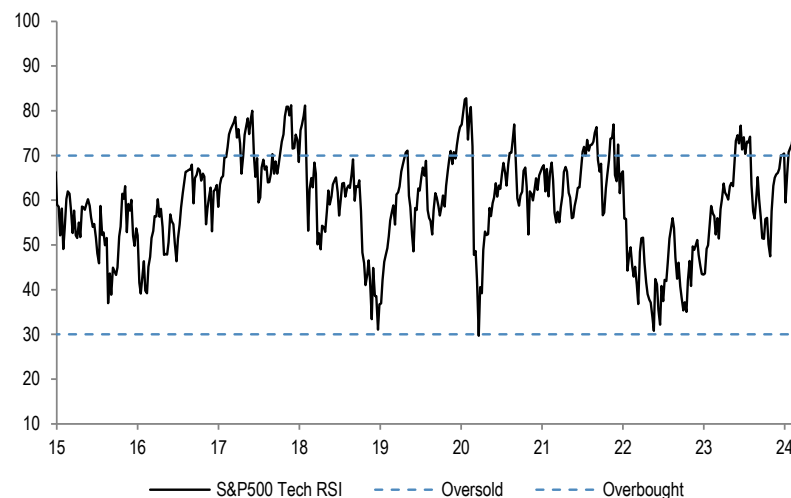
Source: IBES

S&P500 Tech relative



Source: Datastream

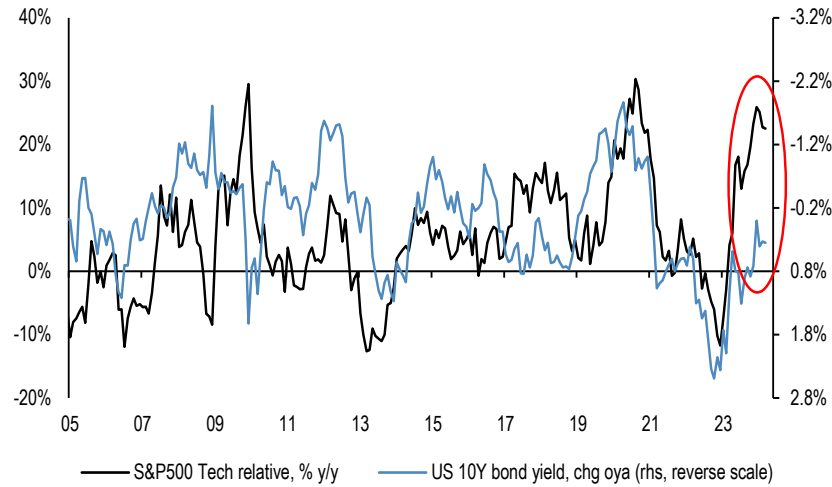
S&P500 Tech RSI



Source: Bloomberg Finance L.P.

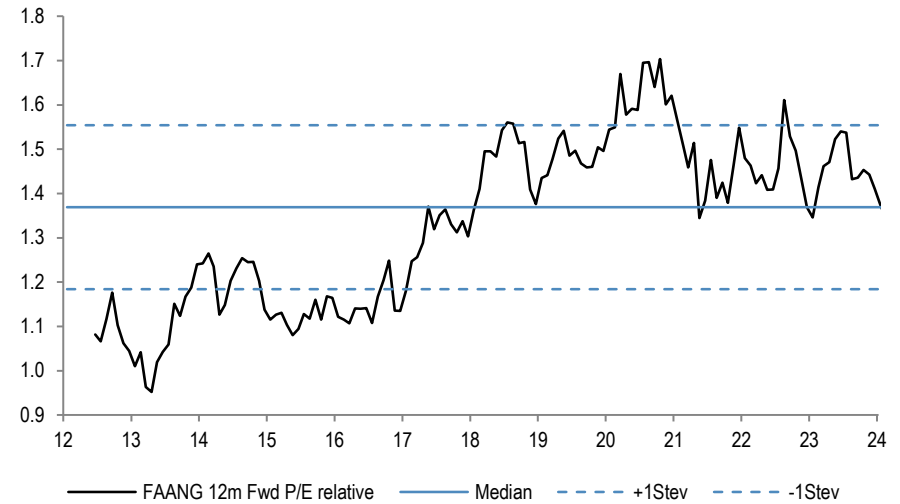
...Tech bounce appears to have over-discounted the fall in yields and valuations look elevated

S&P500 Tech relative and US 10Y bond yield



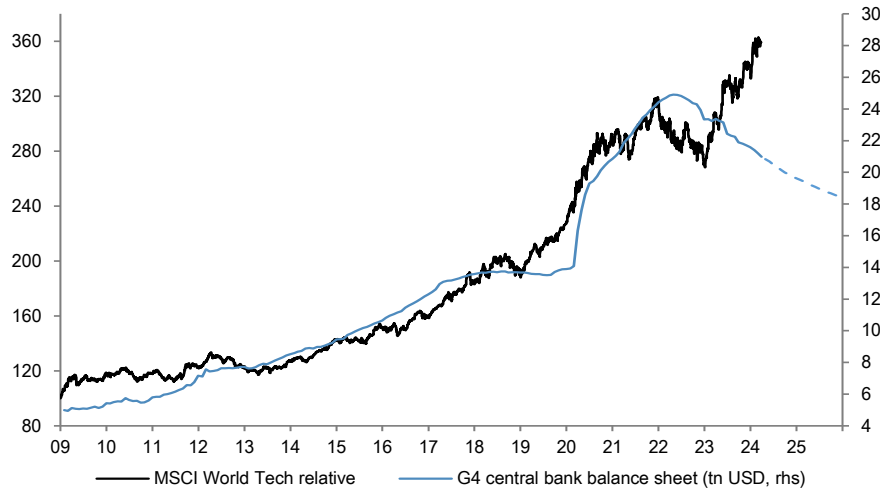
Source: Datastream

FAANG 12m Fwd. P/E relative



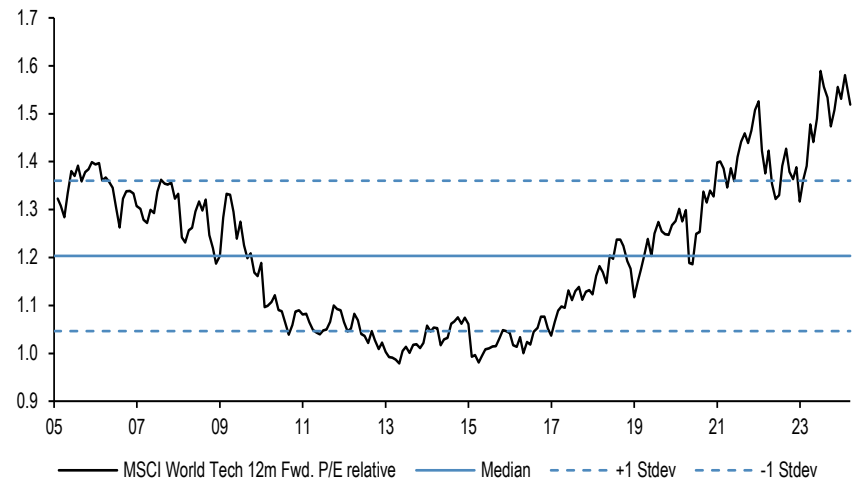
Source: IBES

MSCI World Tech relative and G4 central bank balance sheet



Source: Datastream

MSCI World Tech 12m Fwd. P/E relative

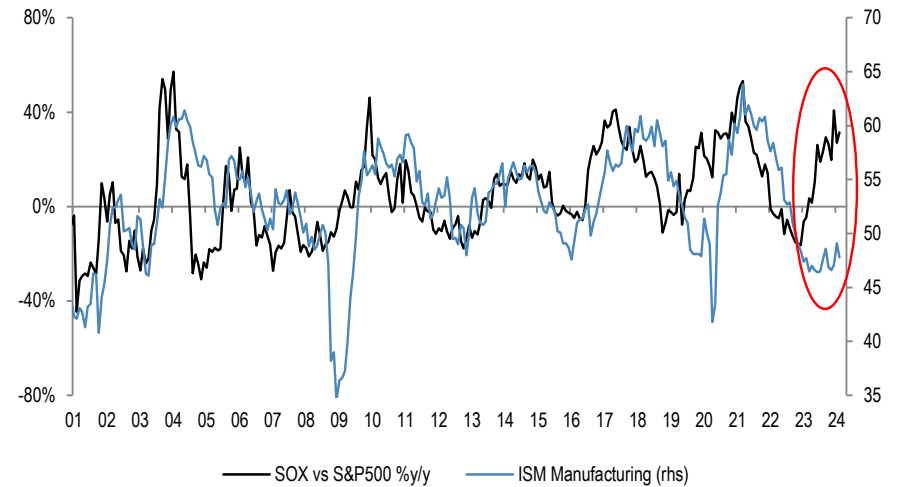


Source: IBES

UW Semis – inventory and pricing could be headwinds

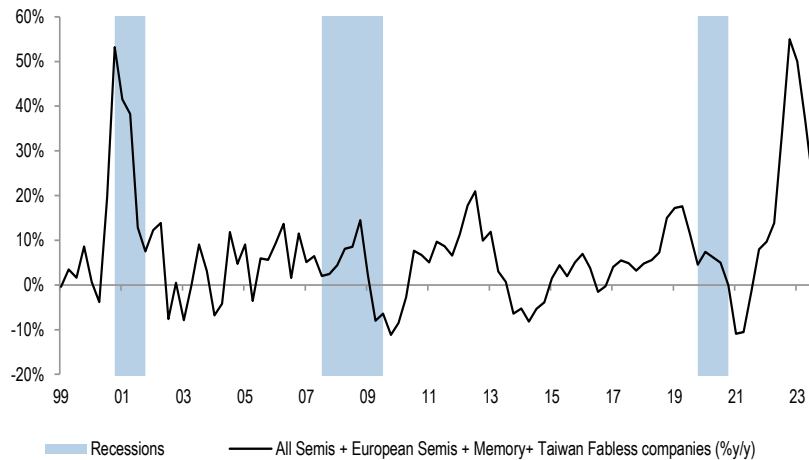
- Semis had a very strong run last year. We took advantage of this and downgraded Semis to Underweight in our Year Ahead. US Semis index is already discounting a rebound in ISM manufacturing, which may not come through into first half of this year.
- Inventory levels remain extreme, and we could see some destocking over the coming quarters, putting pressure on demand. This is likely to translate into weaker pricing and margins for the sector.
- Valuations look outright expensive.

SOX relative and ISM



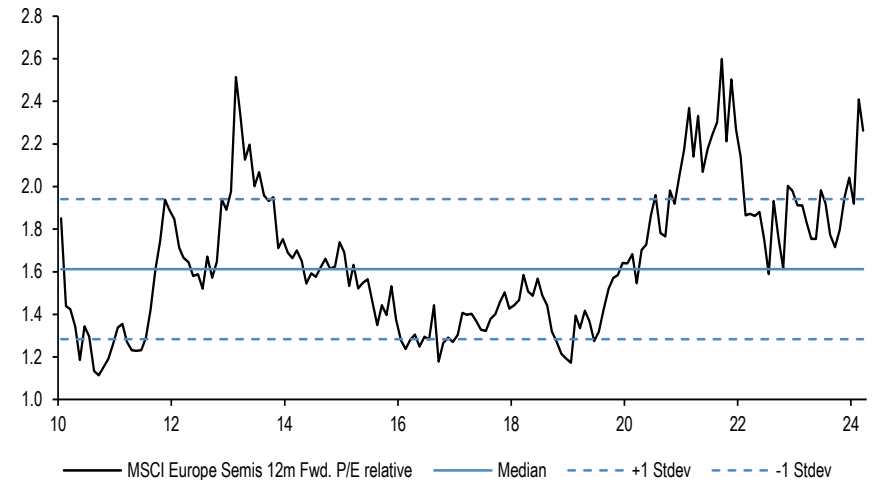
Source: IBES

Global semiconductor inventory %y/y



Source: JPM European Technology Research

MSCI Europe Semis 12m Fwd PE relative



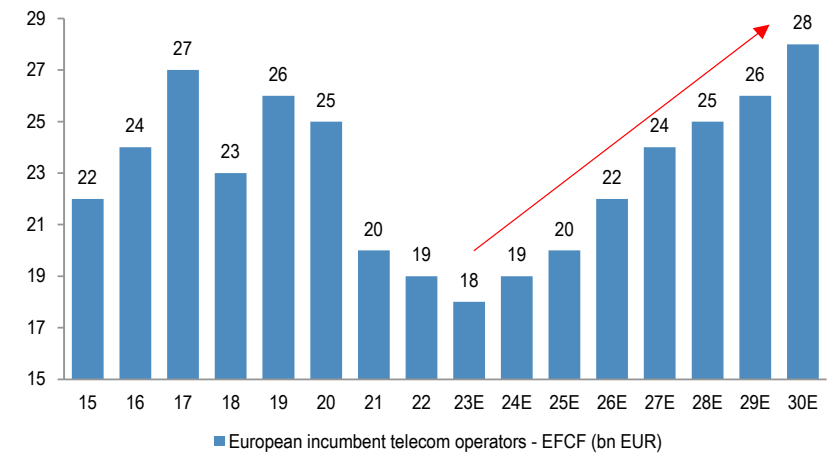
Source: IBES

COMMUNICATION SERVICES: OVERWEIGHT

OW Telecoms - price hikes should drive revenue inflection; N Media

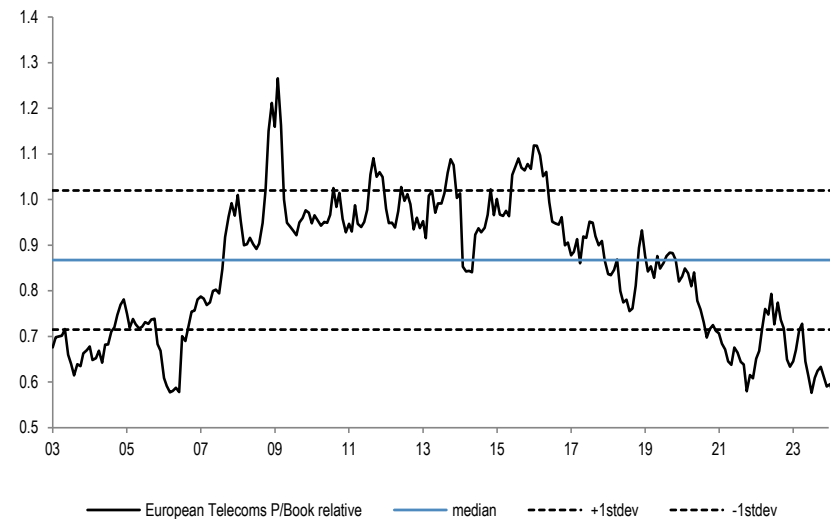
- Telecoms balance sheets have improved materially in the past few years. The sector offers close to 19% FCF yield, well above the overall market, and the companies offer attractive dividends that are well covered.
- A combination of better pricing and lower capex is helping the sector generate significantly better cash flow, underpinning the case for improving shareholder returns going forward.
- We view the sector as a cheap Defensive play and could continue to stabilize this year.

European incumbent Telecom operators - FCF



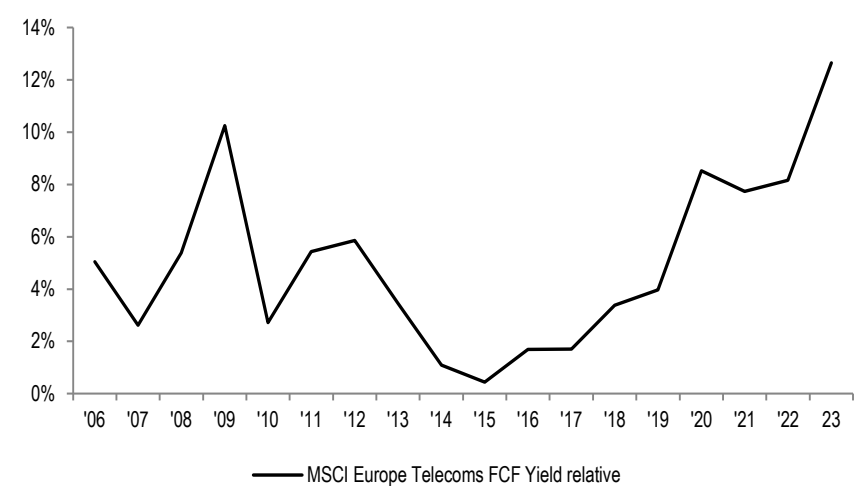
Source: J.P. Morgan Telecoms Research

European Telecoms Price to Book relative



Source: Datastream

European Telecoms FCF yield relative

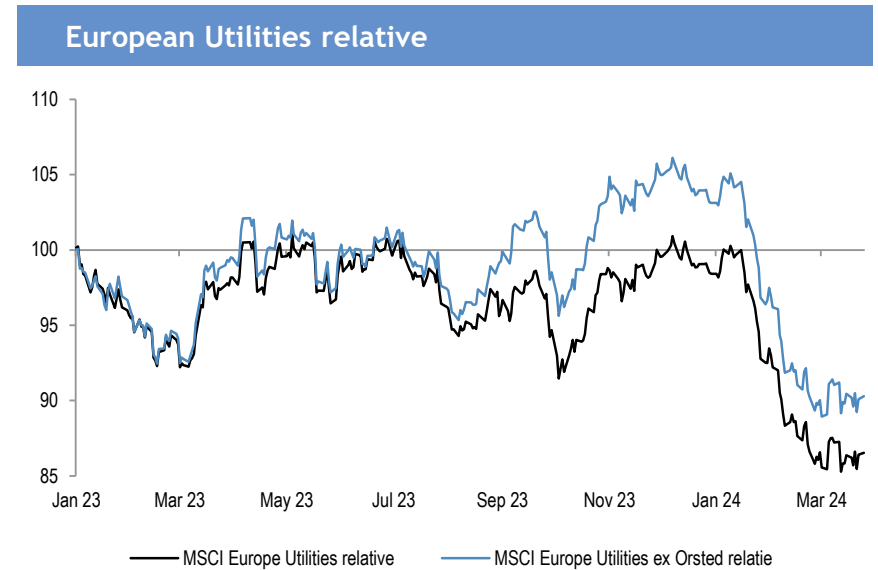


Source: Datastream

UTILITIES: OVERWEIGHT

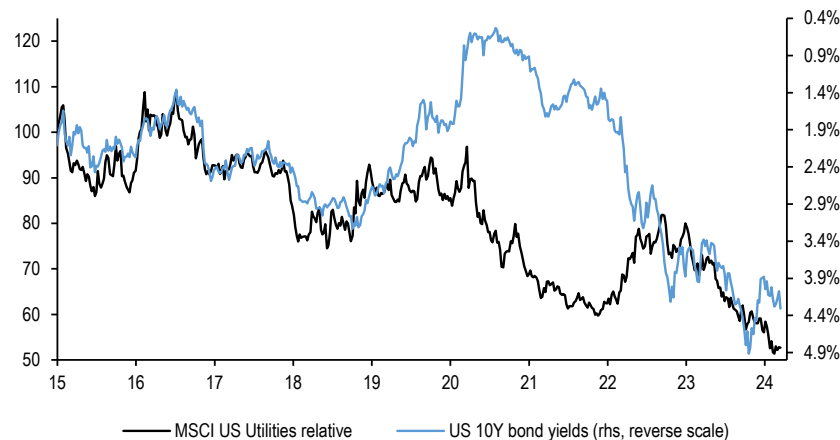
An opportunity to add, less regulatory uncertainty ahead, have strong pricing and likely more resilient earnings than the rest of the market...

- The Utilities sector performance over the past year has been weighed down by the rise in bond yields, weakening power prices and some stock specific issues.
- The correlation between sector performance and bond yields remains negative, and lower yields would help improve investor sentiment towards the sector.
- Valuations of the sector have come off the highs and are trading close to -1stdev now.



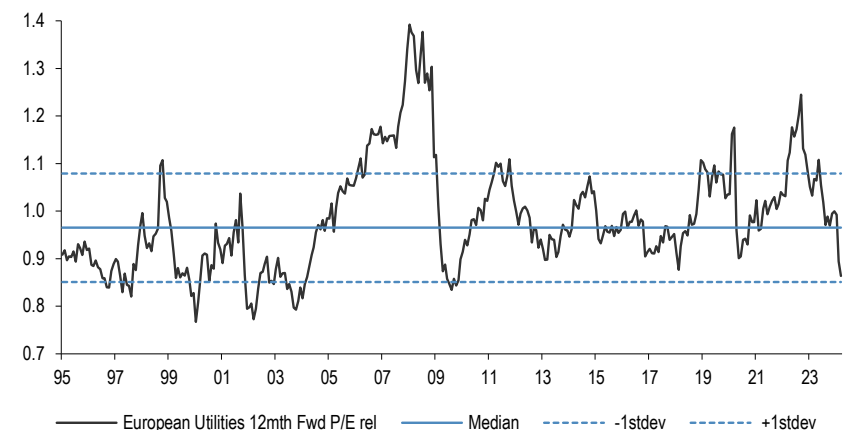
Source: Datastream

Utilities price relative vs bond yields



Source: Bloomberg Finance L.P.

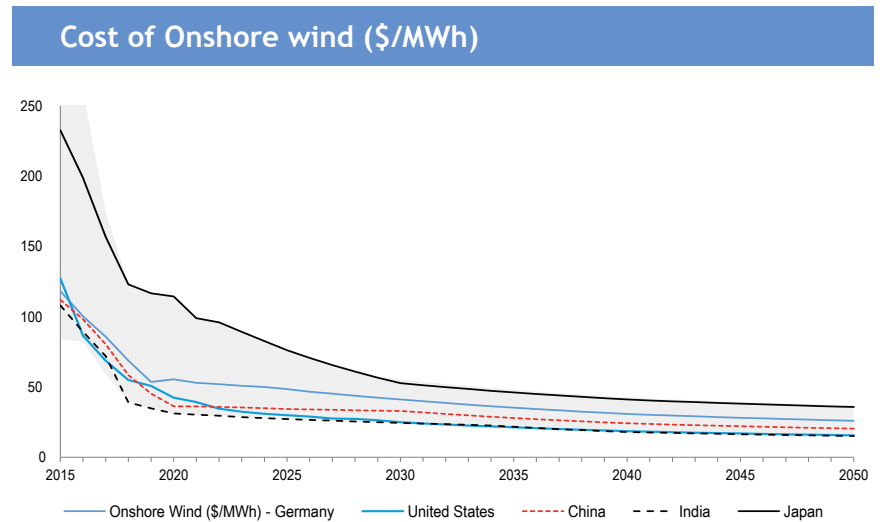
European Utilities P/E relative



Source: IBES

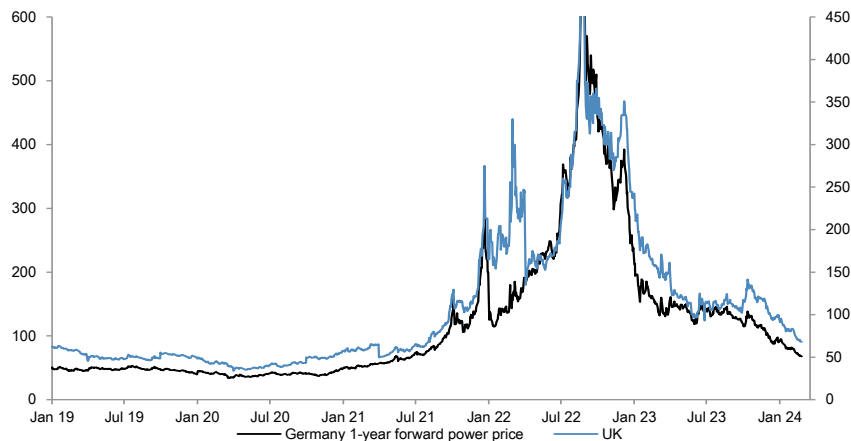
...switch to renewables is likely to drive the sector in the medium term

- The key argument that continues to drive the structural opportunity for the sector is the move towards renewables as they are more leveraged to real rates.
- Sector earnings have been holding up quite well so far, and are likely to continue to do so, especially given that power prices remain elevated. On average, Utility companies sell their power on 3-year forward contracts, which means that 2024 will likely see the final leg of power price increases.



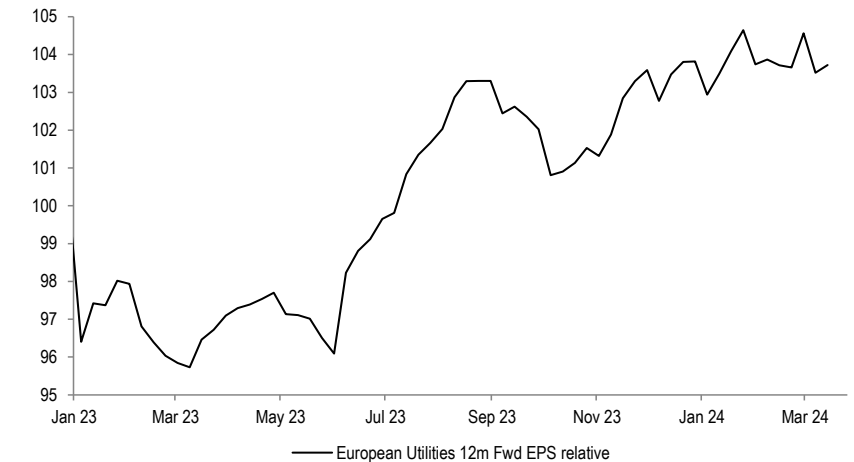
Source: Bloomberg Finance L.P., NEF

UK and Germany 1-year power forward



Source: JPM European Utilities Research team

European Utilities 12m Fwd EPS relative

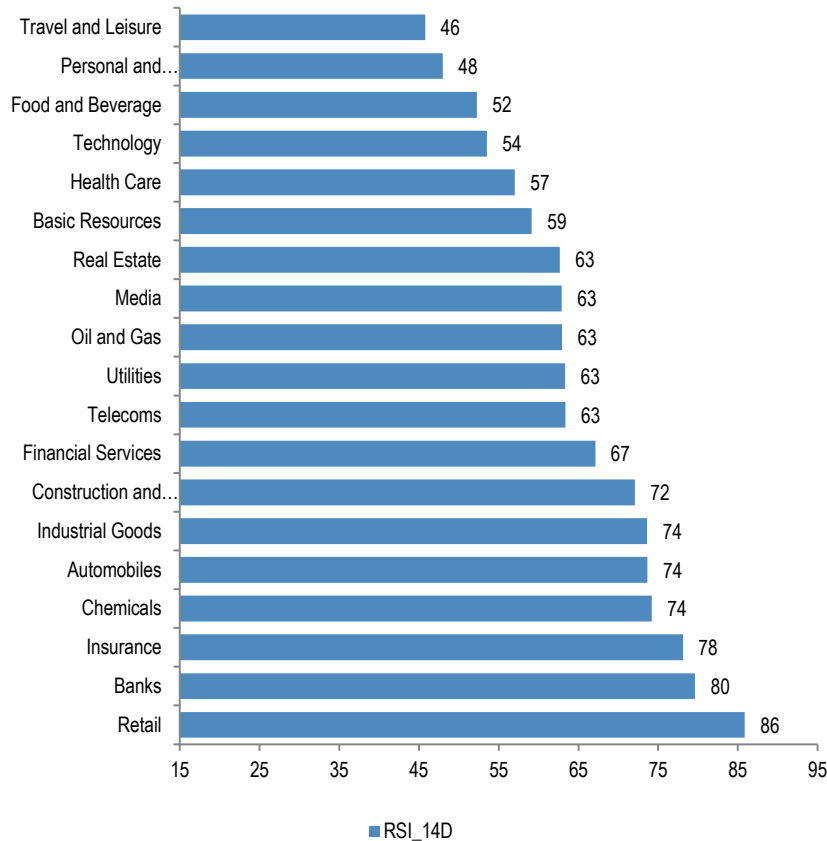


Source: IBES

Technical

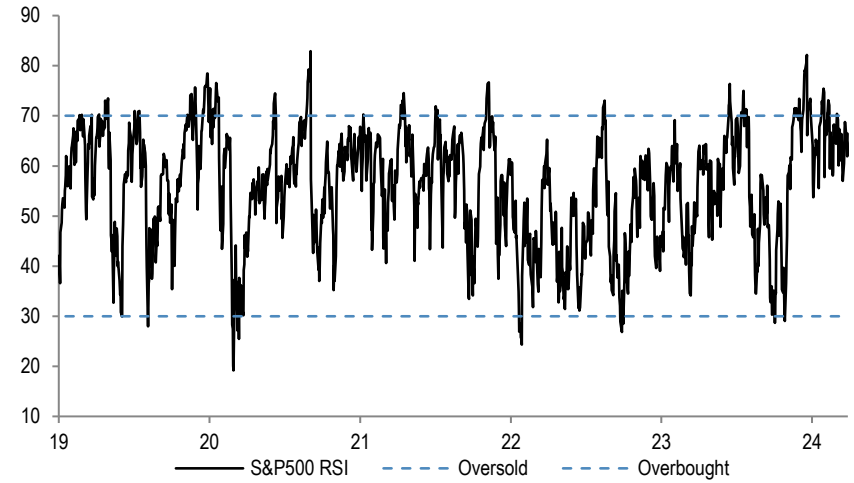
Equities look overbought on RSIs

SXXP sectors RSI



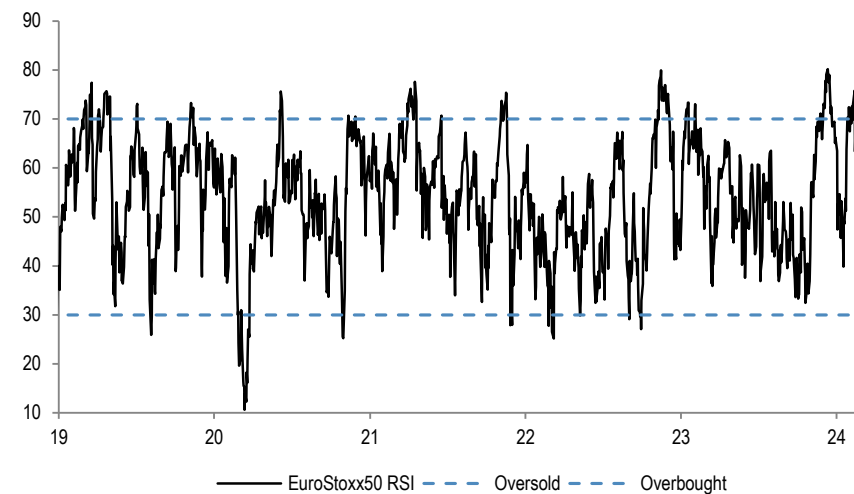
Source: Bloomberg Finance L.P

S&P500 RSI



Source: Bloomberg Finance L.P

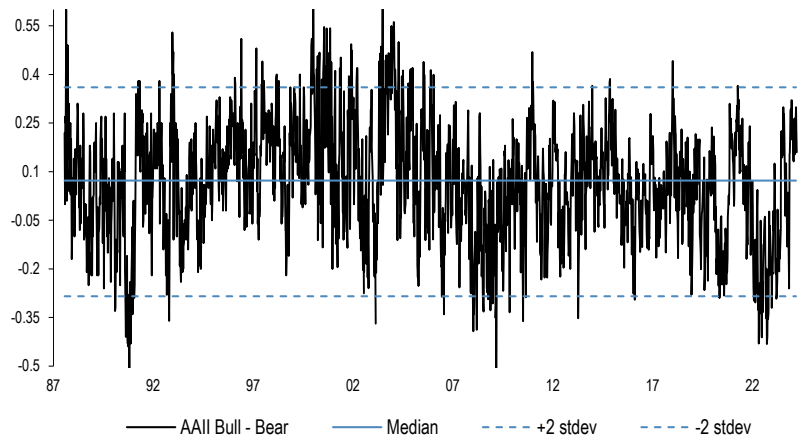
SX5E RSI



Source: Bloomberg Finance L.P

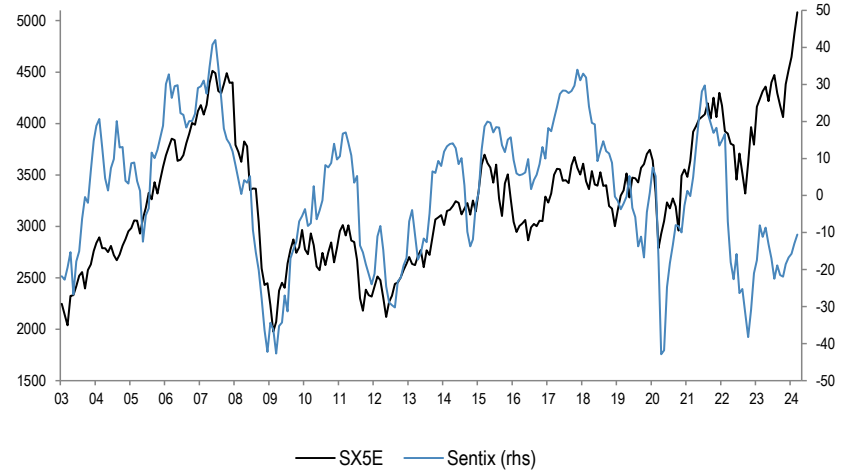
Flows into International equities are still weak

AAll Bull-Bear



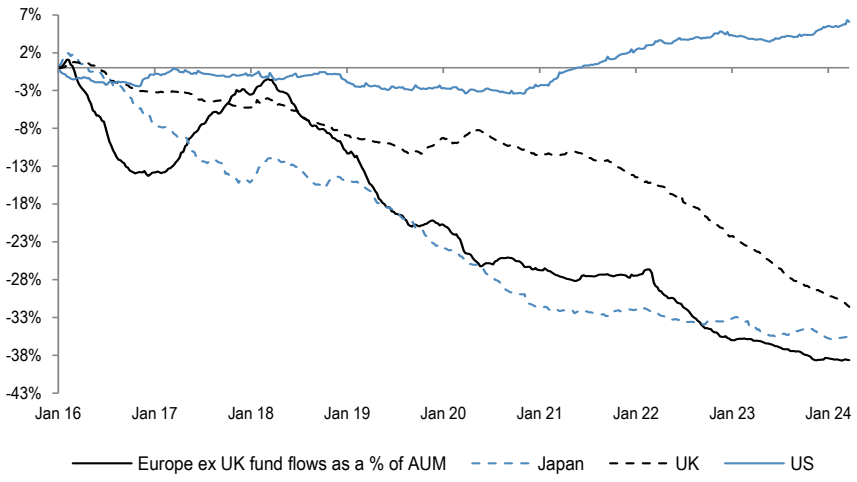
Source: Bloomberg Finance L.P

Sentix sentiment index vs SX5E



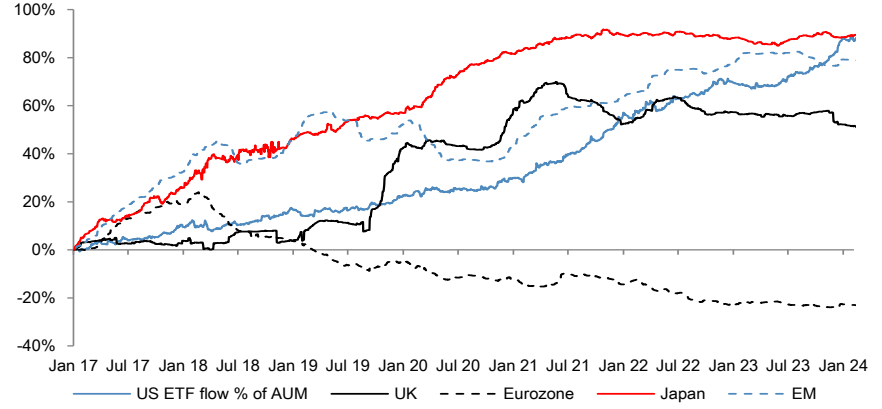
Source: Bloomberg Finance L.P

Cumulative fund flows into regional funds as % of AUM



Source: EPFR, as of 20th Mar, 2024. Japan includes Non-ETF purchases only

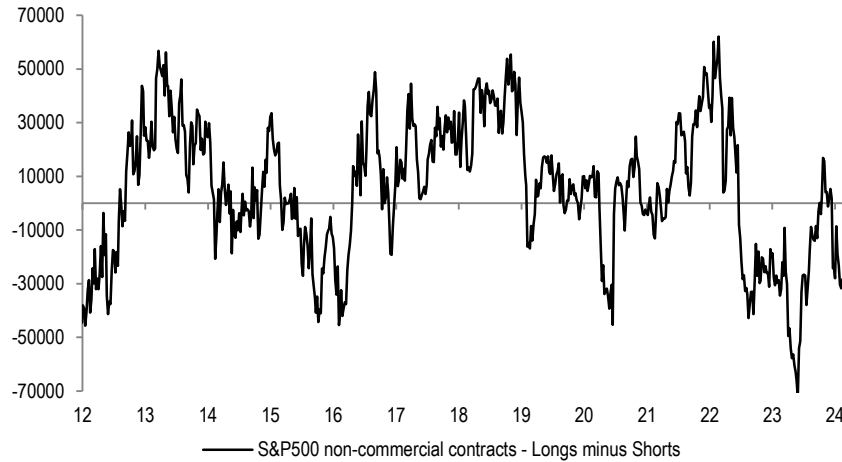
Cumulative fund flows into regional equity ETFs as % of AUM



Source: Bloomberg Finance L.P. *Based on the 25 biggest ETF's with a mandate to invest in that particular region. Japan includes BoJ purchases

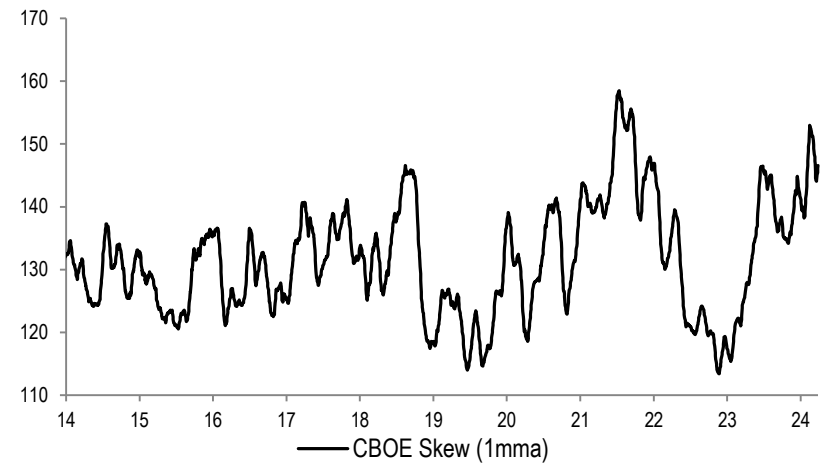
Seasonals are still fine in April

Speculative positions on S&P500 futures contracts



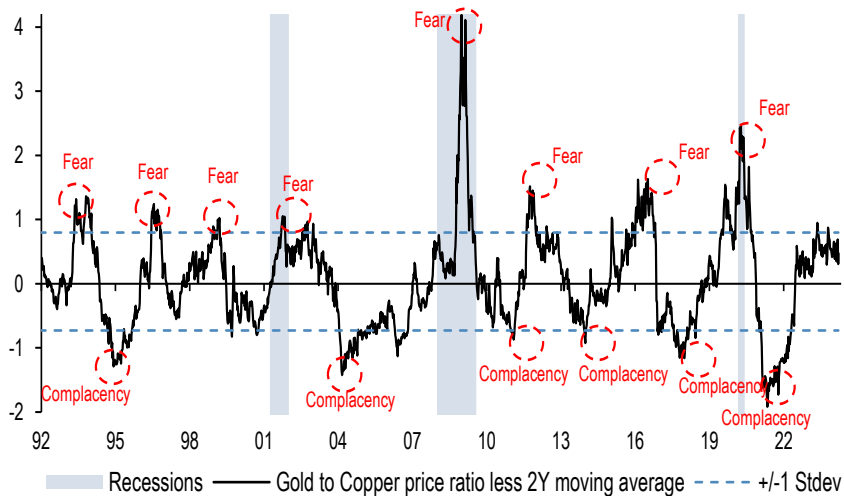
Source: Bloomberg Finance L.P

Equity skew



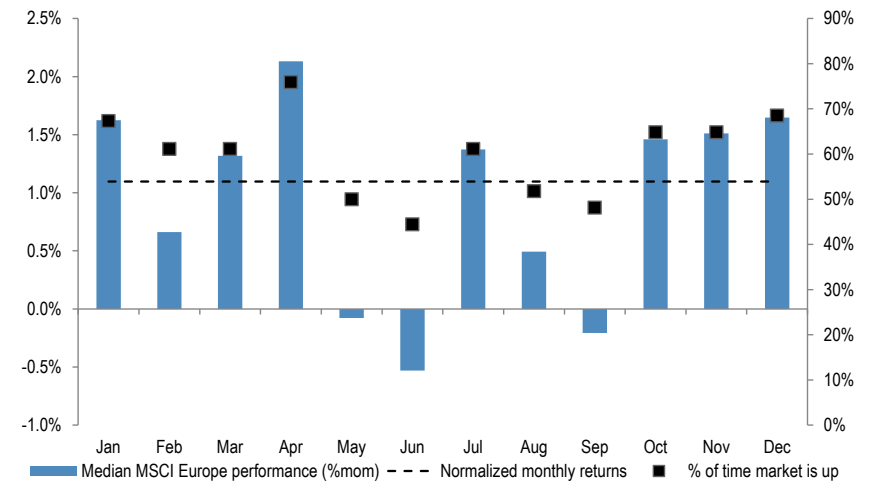
Source: Bloomberg Finance L.P

Gold-to-Copper price ratio



Source: Bloomberg Finance L.P.

Seasonality* of MSCI Europe performance



Source: Datastream, *Median since 1970

Equity Flows Snapshot

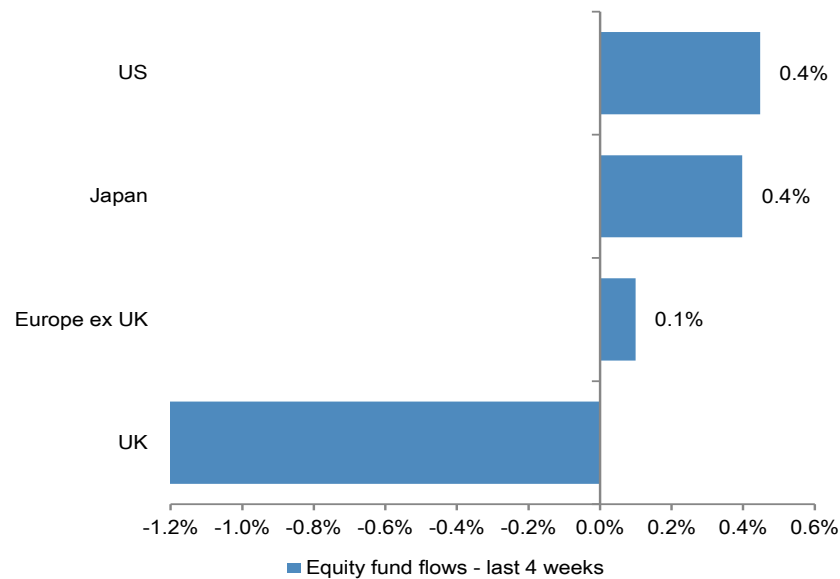
DM Equity Fund Flows Summary

Regional equity fund flows

	\$mn					% AUM				
	1w	1m	3m	ytd	12m	1w	1m	3m	ytd	12m
Europe ex UK	-246	329	-1,701	-1,506	-13,345	-0.1%	0.1%	-0.5%	-0.5%	-4.6%
UK	-1,011	-3,246	-6,039	-5,922	-28,862	-0.4%	-1.2%	-2.2%	-2.2%	-11.0%
US	-22,024	45,208	75,697	58,206	199,379	-0.2%	0.4%	0.8%	0.6%	2.5%
Japan	467	3,183	9,258	9,174	23,090	0.1%	0.4%	1.2%	1.2%	3.6%

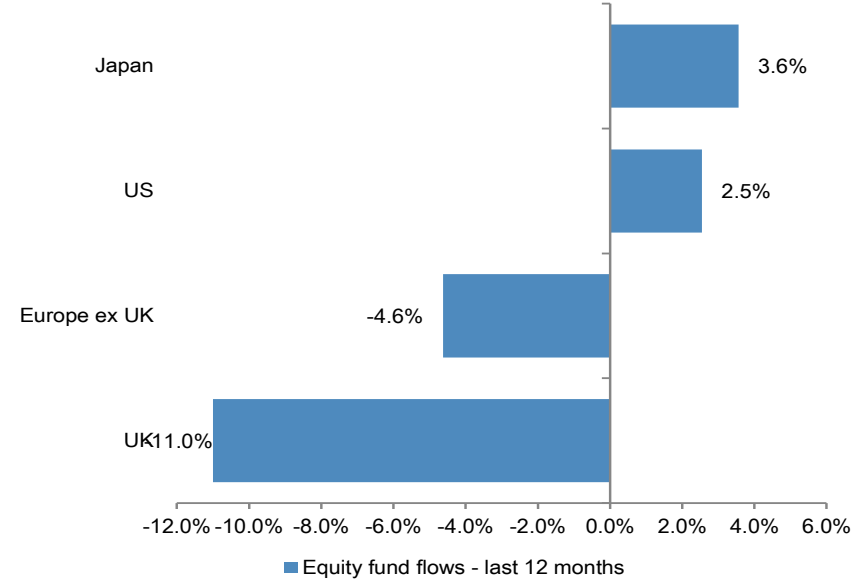
Source: EPFR

DM Equity Fund flows - last month



Source: EPFR

DM Equity Fund flows - last 12 months



Source: EPFR

Global sector valuations

	12m Fwd P/E			P/book			Cycle-adj P/E			12m Fwd P/Sales		
	Last	Median	% to median	Last	Median	% to median	Last	Median	% to median	Last	Median	% to median
World	18.9	15.8	-17%	3.4	2.3	-33%	31.7	24.7	-22%	2.2	1.4	-38%
Energy	11.2	14.3	27%	1.6	1.7	8%	16.6	16.7	1%	1.1	0.9	-15%
Chemicals	21.5	15.8	-26%	2.2	1.9	-14%	20.2	24.0	19%	2.0	1.3	-34%
Const Mat	17.3	14.2	-18%	2.5	1.7	-30%	26.4	20.2	-24%	2.0	1.0	-51%
Metals&Mining	13.0	13.1	1%	1.6	1.6	-2%	17.5	19.7	12%	1.1	0.9	-17%
Capital Goods	19.5	16.1	-17%	2.4	2.0	-15%	21.5	20.0	-7%	1.7	1.0	-45%
Transport	19.9	16.0	-19%	2.2	2.1	-6%	21.2	26.4	24%	1.7	1.2	-32%
Business Services	25.9	18.8	-27%	-	-	-	-	-	-	3.1	1.3	-58%
Automobile	11.9	11.7	-2%	1.5	1.5	-6%	16.5	18.9	15%	0.8	0.5	-39%
Cons Dur	19.1	17.5	-8%	6.3	2.8	-56%	44.5	34.0	-24%	2.1	1.2	-44%
Media	22.1	20.0	-9%	2.8	2.4	-14%	27.6	28.9	5%	3.8	1.8	-52%
Retailing	29.8	20.7	-31%	6.2	3.3	-46%	41.5	32.9	-21%	2.4	1.2	-48%
Hot,Rest&Leis	26.6	19.1	-28%	6.1	2.5	-60%	26.7	32.0	20%	3.4	2.1	-36%
Food&Drug Retailing	21.8	17.5	-20%	3.6	3.1	-13%	25.7	30.2	18%	0.6	0.4	-25%
Food Bev & Tob	16.5	17.3	5%	2.9	2.8	-2%	23.8	28.1	18%	2.1	1.9	-8%
HPC	22.1	20.6	-7%	4.0	2.2	-46%	30.5	29.1	-5%	2.9	2.2	-24%
Healthcare	19.0	17.2	-9%	5.9	3.3	-44%	35.7	32.3	-9%	2.0	1.9	-4%
Banks	10.2	11.7	15%	1.1	1.2	12%	13.1	19.5	49%	2.7	2.4	-10%
Div Fin	19.0	21.1	11%	-	-	-	-	-	-	3.4	1.9	-45%
Insurance	12.2	11.5	-6%	1.8	1.6	-8%	19.5	21.7	11%	1.1	0.9	-22%
Real Estate	26.2	21.1	-20%	1.2	1.4	9%	14.1	20.0	42%	4.8	14.8	208%
Software&Svs	32.1	23.2	-28%	7.5	4.0	-46%	55.5	44.9	-19%	7.5	3.4	-54%
Tech Hardware	23.0	17.9	-22%	2.2	2.2	0%	26.5	31.1	18%	3.9	1.5	-61%
Semicon	30.6	16.7	-45%	7.6	2.7	-64%	68.5	30.5	-56%	9.6	3.0	-69%
Telecoms	19.2	15.4	-20%	1.9	2.3	20%	15.9	20.2	28%	2.8	1.4	-51%
Utilities	14.4	15.0	4%	1.8	1.6	-10%	19.7	18.9	-4%	1.4	1.1	-18%
Cyclicals	24.2	17.3	-28%	5.1	2.3	-54%	29.6	28.9	-2%	4.0	1.5	-63%
Defensives	18.6	17.2	-8%	3.7	2.9	-22%	27.1	27.2	1%	2.0	1.5	-24%
Cyc. Vs. Def.	1.3	1.0	-22%	1.4	0.8	-41%	1.1	1.1	-3%	2.0	1.0	-52%

Source: Datastream, MSCI, IBES. At 27th Mar 2024. 12m Fwd P/E since 1995, Cycle-adjusted P/E since 1983, P/Book since 1980, P/Sales since 2000

European sector valuations

	12m Fwd P/E			P/book			Cycle-adj P/E			12m Fwd P/Sales		
	Last	Median	% to median	Last	Median	% to median	Last	Median	% to median	Last	Median	% to median
Europe	13.5	14.0	4%	2.0	1.8	-10%	21.5	19.8	-8%	1.4	1.3	-8%
Energy	7.2	12.5	75%	0.5	1.3	168%	12.5	14.3	15%	0.5	0.7	47%
Chemicals	21.9	15.1	-31%	2.0	1.9	-8%	19.2	18.7	-2%	1.1	0.9	-14%
Const Mat	13.2	12.8	-3%	2.1	1.7	-22%	24.5	17.1	-30%	0.5	0.9	73%
Metals&Mining	9.0	10.9	21%	1.0	1.3	28%	12.9	15.2	18%	0.8	0.7	-11%
Capital Goods	18.7	15.1	-19%	2.5	1.9	-22%	22.8	21.2	-7%	1.3	0.7	-44%
Business Services	17.1	14.4	-16%	-	-	-	-	-	-	1.5	1.2	-19%
Transport	21.7	17.3	-20%	1.7	1.4	-18%	16.7	21.1	26%	1.4	0.8	-42%
Automobile	6.4	9.7	52%	0.9	1.1	28%	9.6	12.5	31%	0.4	0.4	2%
Cons Dur	24.3	16.7	-31%	6.9	2.8	-60%	51.9	35.4	-32%	1.5	1.5	-3%
Media	16.5	16.2	-2%	2.9	2.4	-16%	19.8	23.4	18%	1.8	1.7	-5%
Retailing	14.2	17.6	24%	4.0	3.4	-14%	22.9	23.0	0%	1.8	1.1	-37%
Hot,Rest&Leis	22.5	17.4	-23%	3.6	1.7	-52%	17.3	19.5	13%	1.5	0.7	-50%
Food&Drug Retailing	11.7	14.3	22%	3.3	3.0	-11%	20.2	26.5	31%	0.3	0.3	-4%
Food Bev &Tob	15.9	16.8	6%	2.4	2.4	-1%	21.9	24.3	11%	1.7	1.2	-27%
HPC	19.4	20.6	6%	4.8	2.4	-50%	35.9	24.1	-33%	2.4	2.2	-10%
Healthcare	17.0	16.7	-2%	5.8	3.0	-48%	29.4	26.3	-11%	3.1	3.0	-5%
Banks	6.6	10.8	65%	0.8	0.9	9%	12.3	12.7	3%	1.5	2.2	49%
Diversified Financials	14.0	11.9	-15%	-	-	-	-	-	-	2.2	2.3	7%
Insurance	10.3	10.4	2%	1.5	1.5	-1%	15.1	21.2	40%	0.9	0.6	-28%
Real Estate	13.3	18.7	40%	0.8	1.0	32%	8.3	23.9	187%	10.0	9.0	-10%
Software&Svs	29.6	21.7	-27%	3.9	3.8	-5%	30.4	33.8	11%	6.9	2.7	-62%
Tech Hardware	15.2	17.8	18%	1.0	2.2	128%	15.7	22.2	41%	3.5	1.6	-56%
Semicon	32.3	21.6	-33%	2.7	2.4	-13%	41.5	38.8	-6%	12.1	3.5	-71%
Telecoms	13.9	14.3	3%	1.4	2.2	55%	13.2	19.7	49%	1.5	1.4	-6%
Utilities	11.6	13.8	19%	1.6	1.5	-5%	15.6	19.0	22%	1.0	1.2	15%
Cyclicals	15.4	15.2	-1%	2.9	1.9	-32%	24.0	20.5	-15%	1.4	0.9	-38%
Defensives	16.3	16.1	-1%	3.8	2.6	-33%	23.2	23.2	0%	1.8	1.5	-14%
Cyc. vs Def.	0.9	0.9	-1%	0.7	0.8	1%	1.0	0.9	-15%	0.8	0.6	-28%

Source: Datastream, MSCI, IBES. At 28th Feb 2024. 12m Fwd P/E since 1995, Cycle-adjusted P/E since 1983, P/Book since 1980, P/Sales since 2000

UK sector valuations

	12m Fwd P/E			P/book			Cycle-adj P/E			12m Fwd P/Sales		
	Last	Median	% to median	Last	Median	% to median	Last	Median	% to median	Last	Median	% to median
UK	11.4	13.1	15%	1.9	1.8	-1%	17.3	17.4	0%	1.2	1.1	-11%
Energy	7.8	12.5	61%	0.2	1.2	455%	23.0	16.4	-29%	0.6	0.6	-1%
Chemicals	30.4	16.0	-47%	1.5	2.6	74%	13.6	19.1	41%	3.8	0.8	-80%
Const Mat	-	-	-	1.4	2.0	46%	17.9	17.0	-5%	-	1.3	-
Metals&Mining	10.5	11.4	9%	1.3	1.7	29%	15.5	17.0	10%	0.6	0.9	38%
Capital Goods	19.9	14.0	-30%	2.0	2.6	30%	19.8	17.7	-11%	1.4	0.8	-45%
Transport	-	-	-	3.5	2.7	-23%	19.4	19.2	-1%	-	-	-
Business Services	25.7	16.6	-36%	-	-	-	-	-	-	4.7	1.3	-72%
Automobile	-	-	-	-	-	-	4.3	15.8	268%	-	-	-
Cons Dur	14.8	10.9	-27%	2.8	4.8	75%	12.4	28.3	128%	1.4	1.9	32%
Media	13.0	15.4	18%	2.7	2.2	-17%	24.8	23.0	-7%	1.5	1.5	-3%
Retailing	12.3	13.7	11%	2.9	2.4	-17%	16.7	19.6	17%	0.8	0.7	-9%
Hot,Rest&Leis	22.7	16.2	-28%	5.9	1.8	-70%	15.6	20.2	30%	1.7	0.8	-54%
Food&Drug Retailing	14.3	14.3	0%	4.6	3.0	-34%	18.4	23.4	28%	0.3	0.4	36%
Food Bev &Tob	9.8	14.2	45%	2.1	2.7	25%	18.3	22.7	24%	2.2	1.9	-12%
HPC	16.0	18.3	14%	2.2	1.5	-33%	13.2	19.9	51%	2.0	2.8	38%
Healthcare	13.9	15.7	13%	2.9	5.1	75%	29.8	23.1	-23%	3.1	2.8	-11%
Banks	6.4	10.5	65%	0.6	0.9	49%	14.2	12.3	-14%	1.8	2.2	21%
Div Fin	12.0	13.3	11%	-	-	-	-	-	-	5.3	3.0	-43%
Insurance	11.0	10.6	-4%	2.0	1.9	-3%	13.5	15.1	12%	0.6	0.8	33%
Real Estate	19.6	21.0	7%	0.9	0.9	-4%	13.0	24.7	90%	12.5	26.5	112%
Software&Svs	32.8	18.6	-43%	6.1	4.6	-24%	30.7	31.1	1%	5.2	3.1	-40%
Tech Hardware	-	-	-	2.8	3.1	12%	17.1	25.9	52%	-	1.1	-
Semicon	-	-	-	-	-	-	82.0	-	-	-	13.1	-
Telecoms	10.0	13.3	32%	0.9	2.2	151%	7.2	19.3	169%	0.8	1.5	94%
Utilities	12.6	13.3	6%	1.6	2.4	48%	15.8	16.1	2%	1.3	0.9	-28%
Cyclicals	13.9	14.1	2%	3.0	2.4	-20%	27.4	20.8	-24%	1.6	1.2	-27%
Defensives	9.5	14.3	50%	2.6	3.6	35%	20.5	20.9	2%	1.9	1.8	-8%
Cyc. Vs. Def.	1.5	0.9	-36%	1.1	0.7	-41%	1.3	1.0	-26%	0.8	0.7	-16%

Source: Datastream, MSCI, IBES. At 27th Mar 2024. 12m Fwd P/E since 1995, Cycle-adjusted P/E since 1983, P/Book since 1980, P/Sales since 2000

Regional GDP, CPI, Interest Rate and Exchange Outlook

	Real GDP			Real GDP						Consumer prices			
	% oya			% over previous period, saar						% oya			
	2023E	2024E	2025E	3Q23	4Q23	1Q24E	2Q24E	3Q24E	4Q24E	3Q23	1Q24E	3Q24E	1Q25E
United States	2.5	2.3	1.6	4.9	3.2	2.3	1.5	0.7	0.7	3.6	3.1	2.9	2.5
Eurozone	0.5	0.4	1.0	-0.2	-0.2	0.5	0.7	0.7	0.7	5.0	2.6	2.2	2.0
United Kingdom	0.1	0.0	0.1	-0.5	-1.4	1.0	0.8	0.0	-0.5	6.7	3.6	1.7	2.3
Japan	1.9	0.7	0.8	-3.2	0.4	1.0	1.7	1.0	0.8	3.1	2.8	3.6	2.8
Emerging markets	4.2	4.0	3.6	5.8	3.9	4.6	3.7	3.7	3.6	3.8	3.7	3.5	3.5
Global	2.7	2.5	2.3	3.6	2.5	2.8	2.3	2.0	2.0	4.0	3.3	3.0	2.8

Official interest rate	Forecast		Forecast for			
	next change	Current	Mar 24	Jun 24	Sep 24	Dec 24
Federal funds rate	Jun 24 (-25bp)	5.50	5.50	5.25	5.00	4.75
Depo rate	Jun 24 (-25bp)	4.00	4.00	3.75	3.50	3.00
Bank Rate	Aug 24 (-25bp)	5.25	5.25	5.25	5.00	4.50
Pol rate IOER	3Q24 (+15bp)	0.10	0.10	0.10	0.25	0.50

10 Yr Govt BY	Forecast		Forecast for end of		
	28-Mar-24	Jun 24	Sep 24	Dec 24	Mar 25
US	4.20	4.15	4.05	4.00	3.90
Euro Area	2.30	2.20	2.05	1.90	1.80
United Kingdom	3.93	4.05	3.95	3.80	3.65
Japan	0.71	0.85	1.05	1.30	1.30

Exchange rates vs US\$	Forecast		Forecast for end of		
	27-Mar-24	Jun 24	Sep 24	Dec 24	Mar 25
EUR	1.08	1.05	1.05	1.09	1.12
GBP	1.26	1.22	1.22	1.25	1.29
CHF	0.90	0.92	0.91	0.89	0.87
JPY	151	148	146	144	142
DXY	104.3	106.3	106.0	102.8	100.2

Source: J.P. Morgan estimates, Bloomberg Finance L.P

European countries' valuations and EPS growth metrics

	Fwd P/E				P/Book				Div Yield (%)		Perf		EPS Growth				GDP Growth		
	Current	LT Median	% Disc	% Disc Rel to EMU	Current	LT Median	% Disc	% Disc Rel to EMU	Current	LT Median	2023	YTD	2024e	2025e	2026e	YTD 12m Fwd EPS	2023e	2024e	2025e
Austria	7.5	11.5	-35%	-29%	0.9	1.2	-22%	-21%	6.3	2.4	9%	2%	-12%	0%	1%	-6.8%	-0.7	0.5	0.5
Belgium	16.8	14.0	20%	21%	1.7	1.9	-13%	-23%	2.4	3.0	1%	4%	-3%	13%	16%	1.0%	1.5	1.0	1.3
Finland	14.3	15.4	-7%	-8%	1.7	2.3	-28%	-48%	5.2	3.5	-11%	-3%	4%	11%	8%	-2.7%	-1.0	-0.1	1.9
France	14.7	13.9	5%	6%	2.1	1.7	22%	11%	2.8	3.1	15%	8%	4%	10%	9%	-1.2%	0.9	0.6	1.0
Germany	12.4	13.1	-5%	-5%	1.6	1.7	-5%	-14%	3.0	2.7	16%	9%	4%	12%	11%	-0.2%	-0.1	0.1	0.8
Greece	9.0	12.8	-30%	-28%	1.1	1.5	-26%	-29%	2.6	2.6	39%	8%	1%	3%	22%	12.0%	2.0	1.5	2.3
Ireland	10.9	14.8	-26%	-28%	1.6	1.9	-17%	-28%	1.8	2.0	19%	16%	-2%	3%	6%	38.1%	-3.0	1.8	4.1
Italy	9.3	13.1	-29%	-28%	1.4	1.2	17%	4%	4.4	3.7	27%	16%	1%	3%	3%	2.0%	1.0	0.5	0.8
Netherlands	20.4	14.5	41%	44%	3.4	2.2	49%	48%	1.8	2.7	20%	18%	0%	22%	12%	1.2%	0.1	0.6	1.5
Portugal	13.6	15.1	-10%	-11%	1.8	2.0	-13%	-25%	3.9	3.7	1%	-16%	15%	5%	5%	-4.9%	2.3	1.4	1.9
Spain	10.8	12.8	-15%	-14%	1.4	1.5	-6%	-12%	4.1	4.0	24%	11%	3%	4%	6%	4.0%	2.5	1.5	1.2
EMU	13.5	13.5	0%		1.9	1.7	10%		3.0	3.1	16%	10%	3%	10%	9%	60.3%	0.4	0.5	1.3
Norway	10.7	11.7	-9%		1.7	1.7	4%		5.5	3.6	3%	-2%	3%	6%	3%	-6.3%	0.5	0.6	1.4
Sweden	15.5	15.1	3%		2.4	2.2	10%		2.7	3.0	17%	8%	-2%	7%	7%	1.7%	0.0	0.1	1.8
Switzerland	18.0	16.2	11%		3.6	2.8	31%		2.9	2.8	3%	5%	10%	14%	10%	-0.4%	0.7	1.2	1.5
Denmark	28.7	16.6	73%		6.8	3.2	111%		1.2	1.7	26%	17%	20%	23%	18%	8.7%	1.8	1.5	1.7
United Kingdom	11.4	13.1	-13%		1.9	1.9	-1%		3.9	3.6	3%	3%	1%	8%	9%	-2.7%	0.1	0.0	0.1
Europe	13.9	14.0	-1%		2.1	1.9	13%		3.1	3.2	11%	8%	3%	10%	9%	48.4%	0.5	0.4	1.0
US	21.4	16.5	30%		4.9	2.9	66%		1.3	1.8	25%	10%	10%	14%	12%	3.2%	2.5	2.3	1.6

Source: Datastream, IBES, J.P. Morgan Economics Research, consensus forecast in italics, 27th Mar 2024

Global Equities Performance & Valuations

3M Performance	Market	Energy	Materials	Industrials	Discretionary	Staples	Healthcare	Financials	IT	Telecom	Utilities
US	9.6%	9.2%	7.2%	10.4%	4.0%	6.8%	8.4%	11.6%	12.0%	14.4%	4.4%
Europe	7.6%	1.1%	3.3%	10.7%	11.9%	-0.4%	8.7%	10.4%	17.9%	3.8%	-5.3%
UK	2.8%	3.3%	-2.3%	13.0%	0.6%	0.2%	5.8%	2.3%	4.5%	-0.8%	-3.8%
Euro	9.7%	0.2%	5.6%	12.4%	14.5%	-1.8%	3.5%	14.5%	20.2%	4.7%	-6.0%
Switzerland	4.8%	-	9.7%	6.6%	13.4%	-0.6%	2.6%	9.8%	-	9.6%	-
Japan	19.6%	23.4%	14.8%	19.0%	23.5%	4.2%	11.6%	32.0%	19.9%	16.2%	14.2%
World	9.5%	7.4%	4.1%	11.3%	7.3%	4.4%	8.5%	11.2%	12.5%	13.5%	1.5%
12M Performance											
US	32.5%	16.7%	19.9%	31.6%	34.5%	6.7%	15.4%	35.5%	49.0%	50.5%	0.4%
Europe	14.2%	11.8%	11.2%	25.8%	9.8%	-8.0%	10.3%	26.8%	35.9%	1.4%	-0.3%
UK	6.0%	10.6%	1.0%	33.6%	8.4%	-10.6%	1.3%	13.1%	38.8%	-10.0%	-0.8%
Euro	17.7%	14.8%	16.7%	26.4%	11.9%	-2.5%	-3.8%	31.5%	37.4%	5.9%	1.5%
Switzerland	6.2%	-	21.5%	24.4%	-7.3%	-11.8%	1.3%	30.8%	-	-6.0%	-
Japan	45.3%	65.4%	36.9%	47.8%	53.3%	10.5%	14.6%	75.1%	53.2%	33.3%	58.9%
World	28.1%	16.1%	14.2%	31.0%	30.6%	2.1%	14.0%	31.1%	48.2%	42.7%	1.0%
P/Book (-1M)											
US	4.6	2.1	2.8	5.7	9.3	5.9	4.9	2.1	11.5	4.0	1.9
Europe	2.0	1.2	1.8	3.5	2.0	3.0	4.0	1.0	5.5	1.4	1.6
UK	1.9	1.4	2.5	7.5	3.0	2.5	7.0	1.1	11.8	0.6	2.4
Euro	1.7	1.2	1.4	3.0	1.8	2.7	1.8	0.9	5.9	1.6	1.6
Switzerland	3.1	-	3.6	6.8	3.1	4.7	4.8	1.3	-	4.2	-
Japan	2.5	1.2	2.0	2.8	2.7	3.0	4.0	1.4	4.8	3.4	1.2
World	3.1	1.7	2.0	3.6	4.0	4.2	4.4	1.6	9.6	3.3	1.7
12m Fw P/E											
US	21.3	12.7	20.7	21.9	26.1	20.1	18.9	15.7	28.7	19.5	15.7
Europe	13.7	7.6	15.3	18.9	13.6	16.4	17.1	9.0	27.7	13.7	11.9
UK	11.1	7.8	11.6	21.6	18.3	12.2	13.4	7.4	28.8	9.8	12.4
Euro	13.3	7.4	16.7	17.0	12.4	18.4	14.3	8.5	28.9	14.8	11.6
Switzerland	17.9	-	22.0	23.6	17.8	21.9	14.7	15.8	22.4	16.4	-
Japan	15.8	8.6	14.4	15.2	12.8	20.2	27.3	12.4	25.0	19.0	8.2
World	18.7	11.1	16.8	19.9	20.2	18.7	18.8	13.0	28.6	18.9	14.1
12m fw EPS Gr											
US	11.2	-6.6	2.6	10.5	13.9	5.4	14.4	8.7	18.3	17.2	11.1
Europe	5.1	-2.6	9.2	8.2	4.4	4.8	7.1	5.8	4.3	10.0	-0.2
UK	3.3	2.2	2.6	8.8	7.5	3.9	9.2	-0.4	11.1	7.6	0.0
Euro	4.4	-7.8	15.9	13.2	3.3	6.4	2.3	5.3	3.7	11.1	-5.6
Switzerland	11.1	-	8.8	3.9	8.8	4.2	3.9	47.4	5.7	-1.8	-
Japan	8.1	-1.0	14.4	4.2	7.1	15.9	11.5	8.5	19.8	19.0	-23.6
World	9.1	-4.3	5.0	9.0	10.0	5.8	12.5	7.1	17.5	16.5	5.0
Dividend Yield											
US	1.7	2.9	1.7	1.6	1.9	2.6	2.0	1.9	0.8	1.7	3.5
Europe	3.3	4.5	3.1	2.3	2.8	3.2	2.3	5.4	1.0	4.2	5.4
UK	4.0	4.1	3.8	1.8	2.8	4.6	2.6	5.8	1.3	6.3	5.1
Euro	3.2	5.0	3.2	2.3	2.8	2.3	2.4	5.4	0.9	3.4	5.7
Switzerland	3.0	-	2.3	2.6	2.5	2.6	3.2	4.0	-	4.2	-
Japan	1.9	3.1	2.3	1.9	1.6	2.2	1.7	2.7	1.2	2.3	1.7
World	2.2	3.6	2.6	1.8	2.1	2.7	2.0	3.1	0.8	2.1	4.1

Source: IBES, MSCI, Datastream, At 27th Mar 2024, * Discount to MSCI World

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In order to keep the basket relevant to the investment theme, J.P. Morgan reserves the right to review the following at any time:

Basket methodology. This is to ensure the rules of the basket remain relevant following any structural changes to the theme. This may include ensuring that the sector exposure of the basket remains broadly consistent with the investment theme.

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Cash Merger: The divisor is adjusted and we remove the target company from the basket on the day of merger and redistribute gains into remaining companies according to recalculated market cap weights of surviving constituents in the basket.

Stock Merger: If the acquirer is a member of the basket, then the weight allocated to the acquired will transfer to the surviving entity on the close of the last day it trades. If the acquirer is not a part of the basket, then proceeds (losses) from the acquired company will be redistributed to the surviving basket constituents based on the recalculated weighting on the close of its last trading day.

Spinoffs: The spinoff company and parent will be included in the basket and both the spinoff and parent company weights will be readjusted according to new market capitalizations after the spinoff date.

Tender Offers & Share Buybacks: The stock will remain in the basket and its weight will be adjusted according to the impact the tender/buyback has on the stock's market value.

Delisting/Insolvency/Bankruptcy: The stock will be removed from the basket as of the close of the last trading day, and the proceeds (losses) will be redistributed among remaining companies according to re-calculated weights of remaining stocks in the basket. If a stock trades on "pink sheets" it will not be included in the basket.

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