

Equity Strategy

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Table of Contents

Equity Outlook.....	3	Themes and Baskets.....	118
Key Drivers		Sector Allocation.....	141
1. current Goldilocks narrative to be tested.....	53	Energy.....	142
2. Fed might disappoint, inflation is staying sticky.....	58	Materials.....	144
3. Earnings resiliency to start fading, profit margins are at risk.....	65	Industrials.....	148
4. Equity P/E multiples are not stretched outside the US, but the US is trading expensive in the historical context.....	74	Discretionary.....	152
5. Sentiment and positioning are complacent post the rally since October.....	76	Staples.....	157
Key drivers of positioning: 1. Bond yields – Cyclical and Financials show a strong positive, and crucially coincident, correlation to yields.....	77	Healthcare.....	161
2. USD direction matters for regional calls, in particular for EM equities, and for commodities...equities typically preferred falling USD.....	82	Financials.....	163
Regional Allocation		Real Estate.....	167
Japan.....	83	Technology.....	168
UK.....	89	Communication Services.....	171
Eurozone.....	96	Utilities.....	172
US.....	105	Technical Indicators.....	174
EM.....	109	Equity Flows.....	177
Regional and Asset Allocation, with Index targets.....	117	Sector Valuations.....	178

Inflation can prove to be sticky even as growth is moderating... this is not a great combination...

- Unlike Q4 and early Q1, when growth projections were revised higher, and the Fed was seen as pivoting forcibly to a very dovish stance, last couple of months are showing softening growth momentum, where US CESI turned negative, but at the same time an increasing potential for higher for longer Fed. In other words, instead of easing for the market friendly reasons, such as falling inflation, the Fed could still end up cutting towards year end, but likely only if there is a more meaningful growth weakness in the interim. **We see the market upside capped during summer due to the inconsistency between consensus call for disinflation and at the same time the belief in no landing and in earnings acceleration.**
- Even though equities overall have been very resilient to date, within the market there was a more Defensive rotation underway in Q2, compared to Q1 – page 10. We think this will continue. Stylewise, our **OW on Growth vs Value continued working**, we are not changing it for now, and Large caps are strongly ahead of Small again this year – page 6. Regionally, our tactical China buy should have another leg, and for Europe we think the Growth-Policy tradeoff is somewhat different to the US. The region already had a reset last year, with manufacturing weakness and subdued consumer, while the fiscal side was not maxed out. At the same time, European inflation is moving lower by more than US, and ECB is likely to ease first, which is unusual. In addition to the Europe upgrade we did in Q1, this is now **prompting us to reverse our longstanding preference for Large vs Small caps**, in both the Eurozone and in the UK. For the US, the rotation might work also, but we do not see it as clear cut, as Fed could stay higher for longer, and US domestic growth could actually weaken meaningfully in 2H. In terms of drivers:
 - 1) US growth momentum is likely slowing from the brisk pace seen in the past quarters. On Q4/Q4 measure, our economists look for US real GDP growth to be down to 1.5% in Q4 '24 vs 3.1% in Q4 '23. Labour markets remain a bright spot, for now, but that can change quickly. 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 positive correlation between bond yields and equities.
 - 2) Repricing of Fed futures higher ytd is not just due to better growth outlook, but also due to more persistent inflation. **The gap that has opened up this year between the Fed and the equity market needs to close** - page 22. As equities decoupled from the Fed, the market was implicitly making the assumption of growth acceleration coming up, but that might not materialize. **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 peaking, **topline growth is weakening, net interest expense is set to move back up, and ULCs could start increasing**. 2024 SPX EPS forecasts, calling for 11% profit growth re-acceleration, are at risk of downgrades.
 - 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, and that is the case even for Japan.
 - 5) The rally that started in November has created a complacent technical picture. **Sentiment and positioning indicators are still near highs**. Seasonals are more challenging during summer - page 76.

...in Q1 we added to China and closed Eurozone vs US UW... UK (OW) is trading better in the past months...

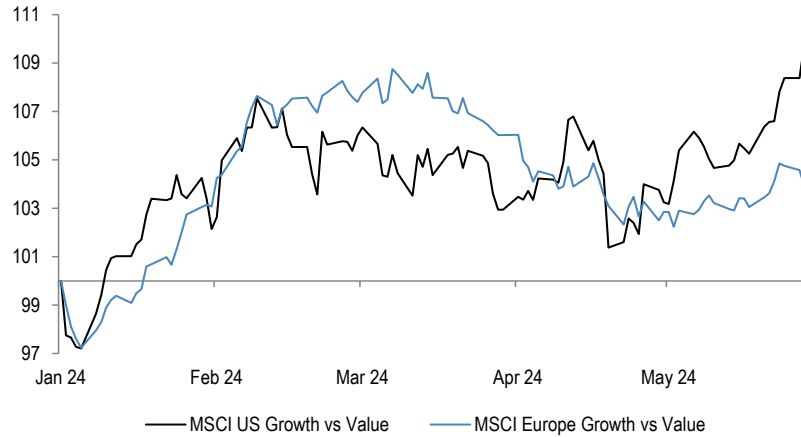
- We have held a regional preference for US stocks vs International and vs EM, with the exception of our OW Japan that we initiated in December 2022. US outperformance was supported by our preference for Growth over Value style, and while we are not reversing this style tilt just yet, we have in Q1 added 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.
- In Q1 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 is set to start moving ahead of the Fed, which would be very atypical. We also have a **tactical buy on China** given extreme cheapness and still an 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 83. 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 85, and there could be a domestic reallocation into equities. Interest rate differential with the US was widening last year, pressuring the Yen. The risk of a disorderly move is still there, but rate differentials might not get bigger, so the need to hedge the FX could wane.
- **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, and if commodities perform better. Within the UK, we held **OW FTSE100 vs FTSE250** pair trade over the past 2.5 years, but are reversing it now.
- **Neutral EM vs DM,** in the world of elevated Fed rates and potentially challenging geopolitics, with the meaningful risk of a restart of the 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 almost 40% from Jan '23 to Q1 lows, we have a tactical more positive stance on the region.
- **Neutral Eurozone.** We added to Eurozone in Q1, after the underperformance since May '23. It is cheaper vs the US than typical, and its total shareholder yield - dividends and buybacks - is 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, 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, especially if earnings momentum turns.
- **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.

...Small caps had two poor years, and are again behind meaningfully this year - we now think this should change, more in Europe than in the US, though

- We believe that Small caps should be trading better in 2H, in Europe in particular. We reverse our long-term preference for FTSE100 vs FTSE250 – see page 9. This is after 2 years of underperformance of small caps vs large, and again a meaningful lag so far ytd – page 6. Drivers are the expected start of policy cuts in Europe – page 18, and a likely better domestic activity momentum – page 8. We think that for the US these catalysts are not as clear.
- 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. We think that Defensives will keep bottoming out vs Cyclicals on likely peaking in bond yields – page 14 and more attractive valuations – page 13. At sector level, **we hold a barbell of Defensives and Commodities, and are in particular cautious on Consumer Cyclicals such as Autos and Travel & Leisure.**
- We find **Energy (OW)** offering a good risk-reward. It has cheap valuations, 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 to Q1 low, and given our less bearish China call these days we are more constructive.
- Technology is still showing superior earnings momentum, but its valuations look unattractive, and while we do not advise going against the Tech run, still thinking that Tech will beat Cyclicals and US 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.
- We advise caution on Cyclicals given generally elevated valuations, strong outperformance opening gaps with PMIs, and earnings risk – **Capital Goods (UW)** ex Aerospace and Defense which we keep OW, still **Chemicals (UW)**, as well as Consumer Cyclicals – **Retail (UW)** and **Autos (UW)**. Defensives are likely to recover, Healthcare, Utilities and Staples. These sectors are some of the best performers post 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**.
- We are **cautious on Banks** as they have strongly outperformed the market of late, but their earnings revisions have not tracked – page 46. Big picture, Banks have performed very well over the past three years, up 60% relative in Europe, and the phase of their earnings outperformance might be ending. 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 163, 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. Regionally, we continue to favour Japanese Banks to European and the US ones.
- Out of key themes, we highlight: Defensives and Cyclicals baskets – **JPDEEDEF** and **JPDEECYC**, Value and Growth baskets – **JPDEVALU** and **JPDEGROW**. We advise pair trades of OW Japanese Value and Banks vs US & European Value and Banks.

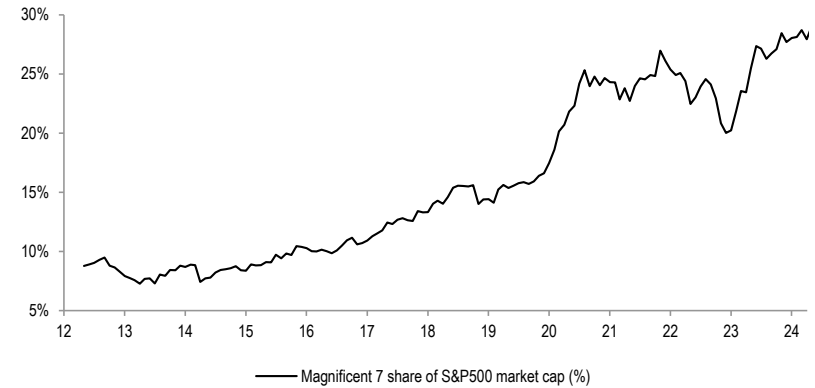
We have entered this year OW Growth vs Value style and OW large vs small caps... small caps are heavily behind again ytd, we think this can change...

US and Europe Growth vs Value ytd



Source: Datastream

Magnificent 7 share of S&P500 market cap



Source: Datastream

Europe small caps vs large caps since Jan '22



Source: Datastream

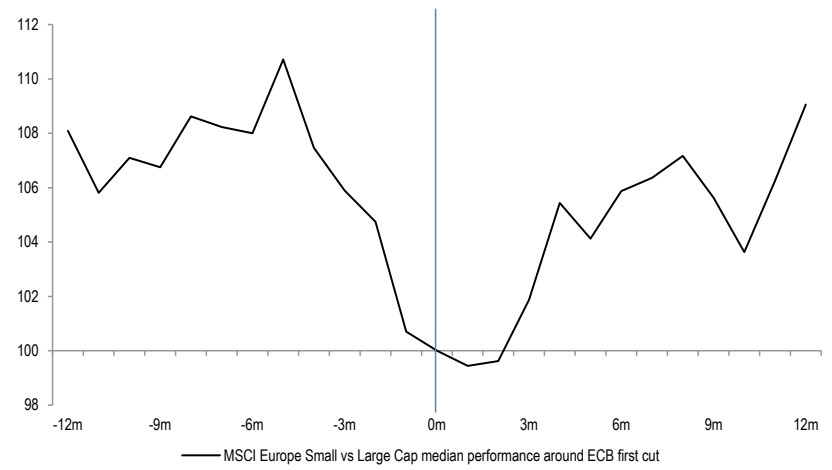
Small caps vs large caps - YTD performance

		% ytd perf
MSCI US	Small Caps	2.8%
	Large Caps	10.3%
MSCI Eurozone	Small Caps	6.0%
	Large Caps	9.0%
MSCI UK	Small Caps	6.0%
	Large Caps	6.8%
MSCI Japan	Small Caps	10.8%
	Large Caps	18.3%

Source: Datastream

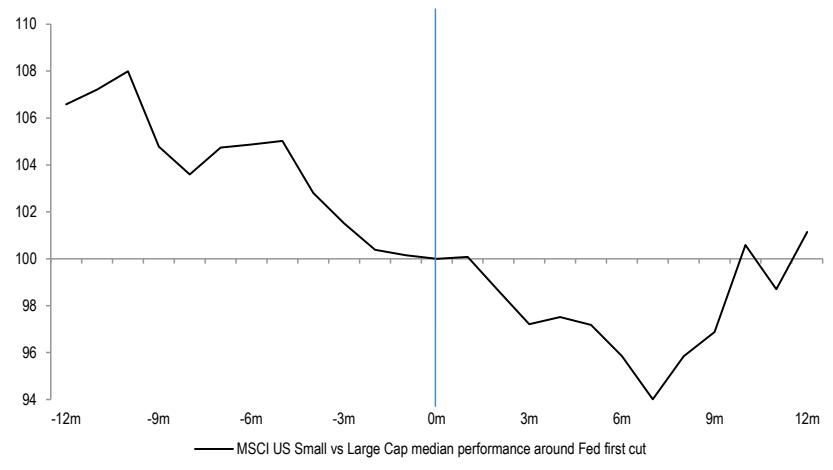
...small caps should be trading better from here: beyond cheapness, the catalyst for upgrade is the start of rate cuts... US backdrop is a bit different...

MSCI Europe Small vs large cap performance around ECB first cut



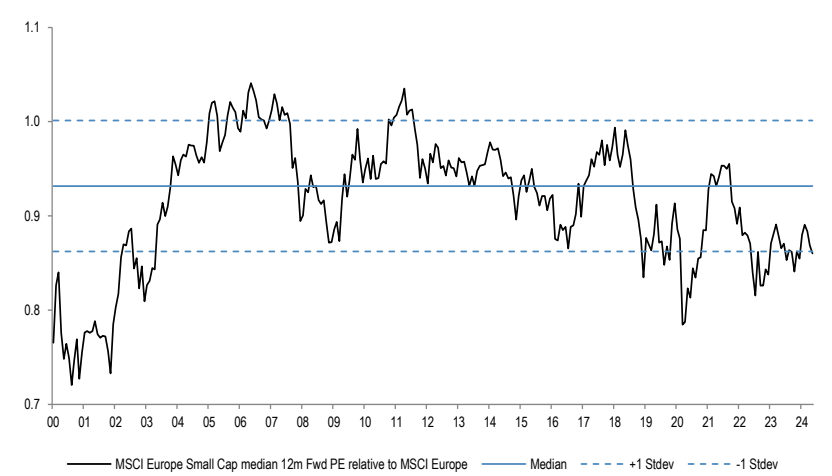
Source: Datastream

MSCI US Small vs large cap performance around Fed first cut



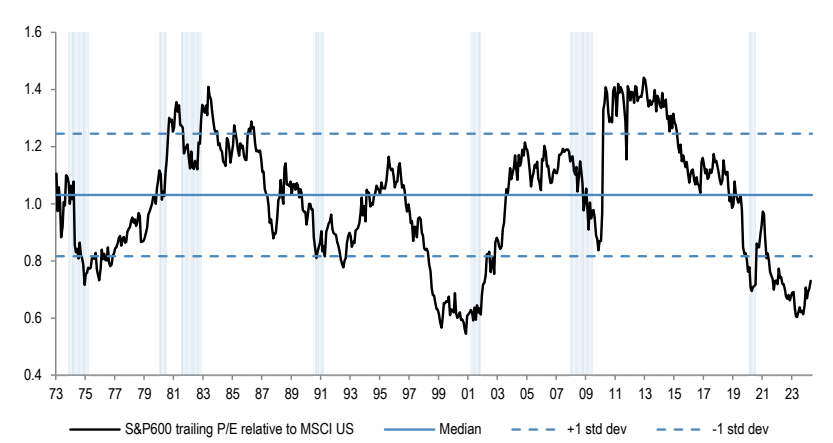
Source: Datastream

MSCI Europe Small Cap P/E relative to MSCI Europe



Source: Datastream

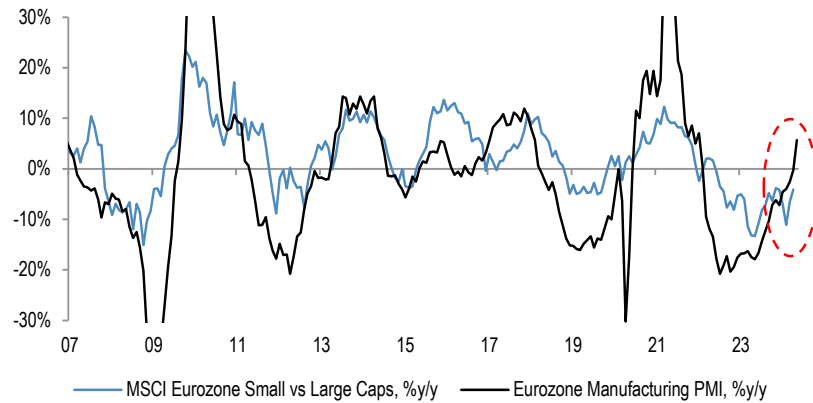
S&P600 trailing P/E relative to MSCI US



Source: Datastream

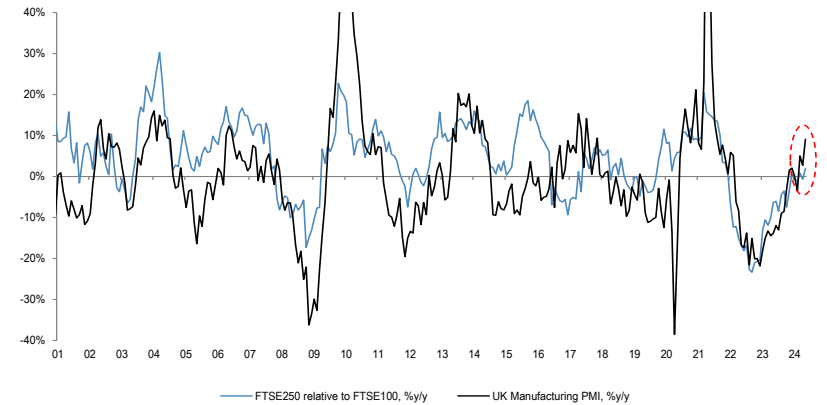
...in addition, domestic momentum is important for small caps... again, the US backdrop could be somewhat different...

Eurozone small vs large caps and Manufacturing PMI



Source: Datastream, J.P. Morgan

UK small vs large caps and Manufacturing PMI



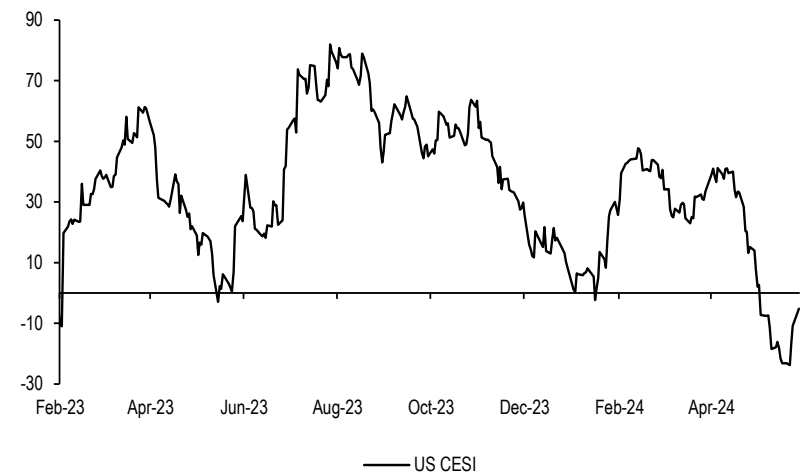
Source: Datastream, J.P. Morgan

Key regions - 23Q4 and 24Q4 real GDP growth

Real GDP (%/y)	23Q4	24Q4
US	3.1%	1.5%
Eurozone	0.1%	1.3%
UK	-0.2%	1.6%

Source: J.P. Morgan

US CESI



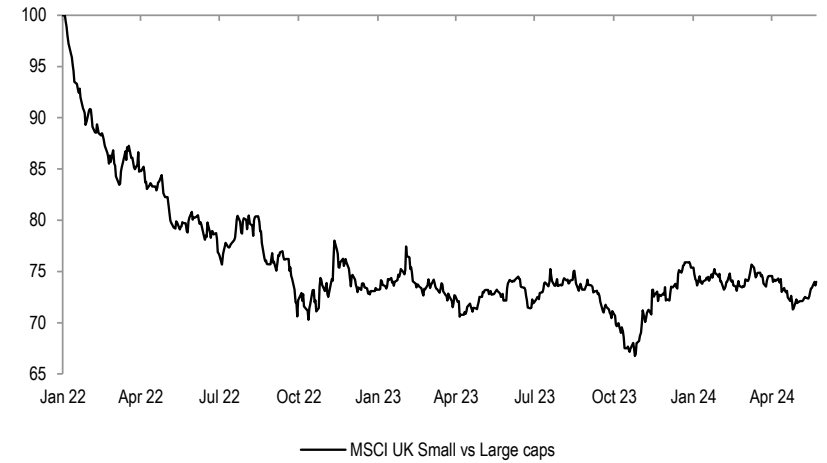
...we are reversing our longstanding OW FTSE100 vs FTSE250 stance, initiated in Dec '21

FTSE100 vs FTSE250



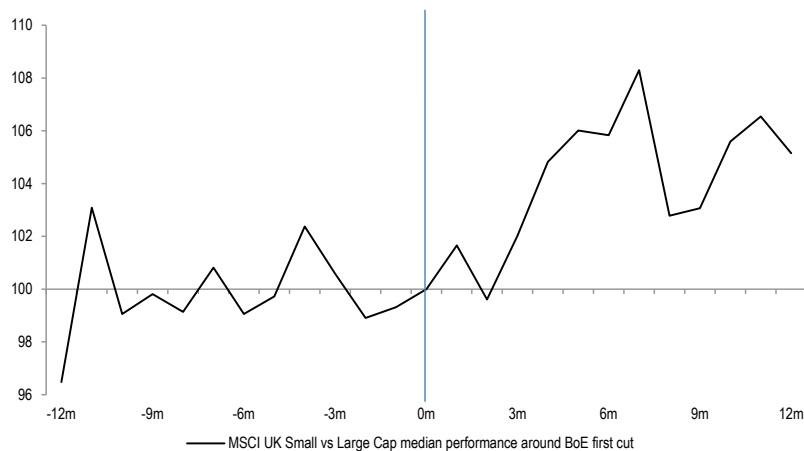
Source: Datastream

UK small caps vs large caps



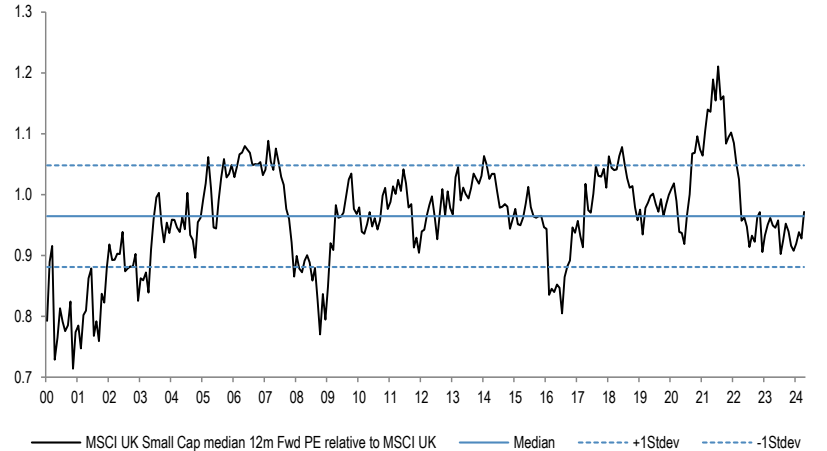
Source: Datastream

MSCI UK Small vs large cap performance around BoE first cut



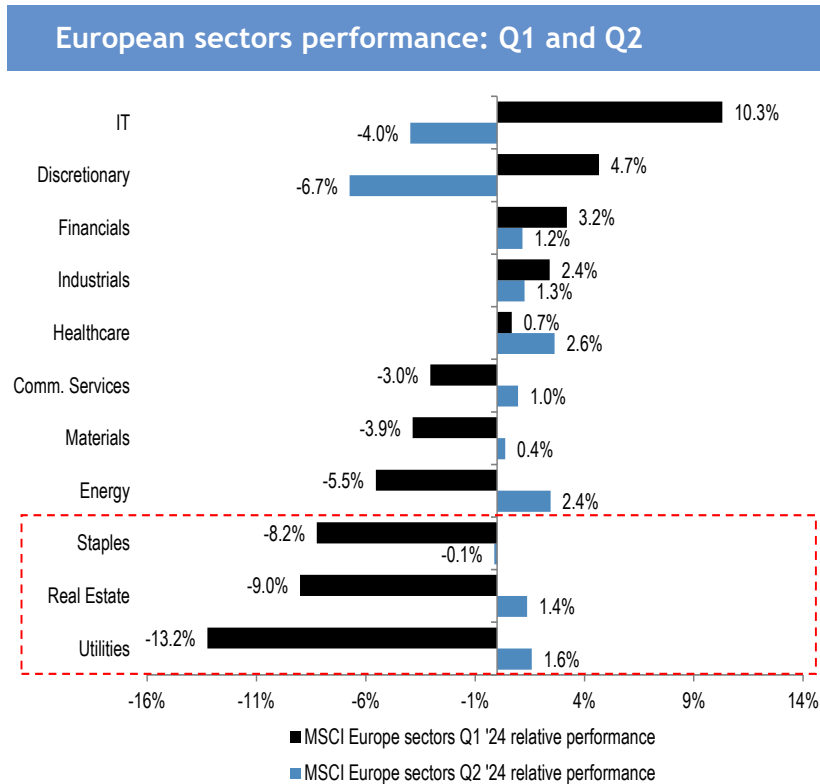
Source: Datastream

MSCI UK Small cap P/E relative to MSCI UK

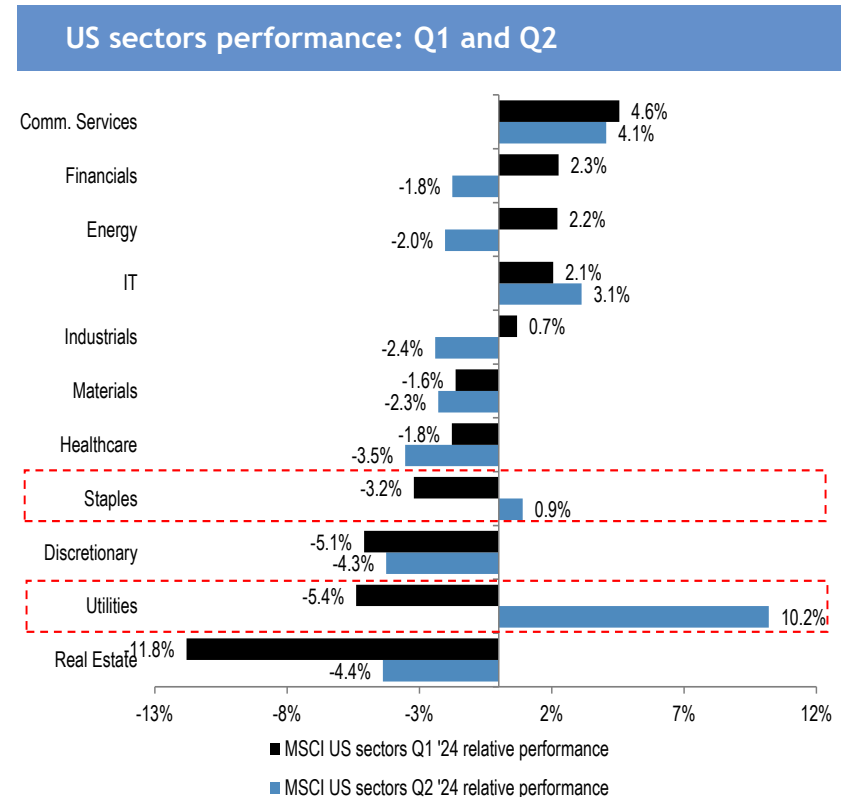


Source: Datastream

At sector level, after risk-on Q1, there is a tilt to low beta evident so far in Q2... we continue to favour a barbell of Defensives and Commodities...

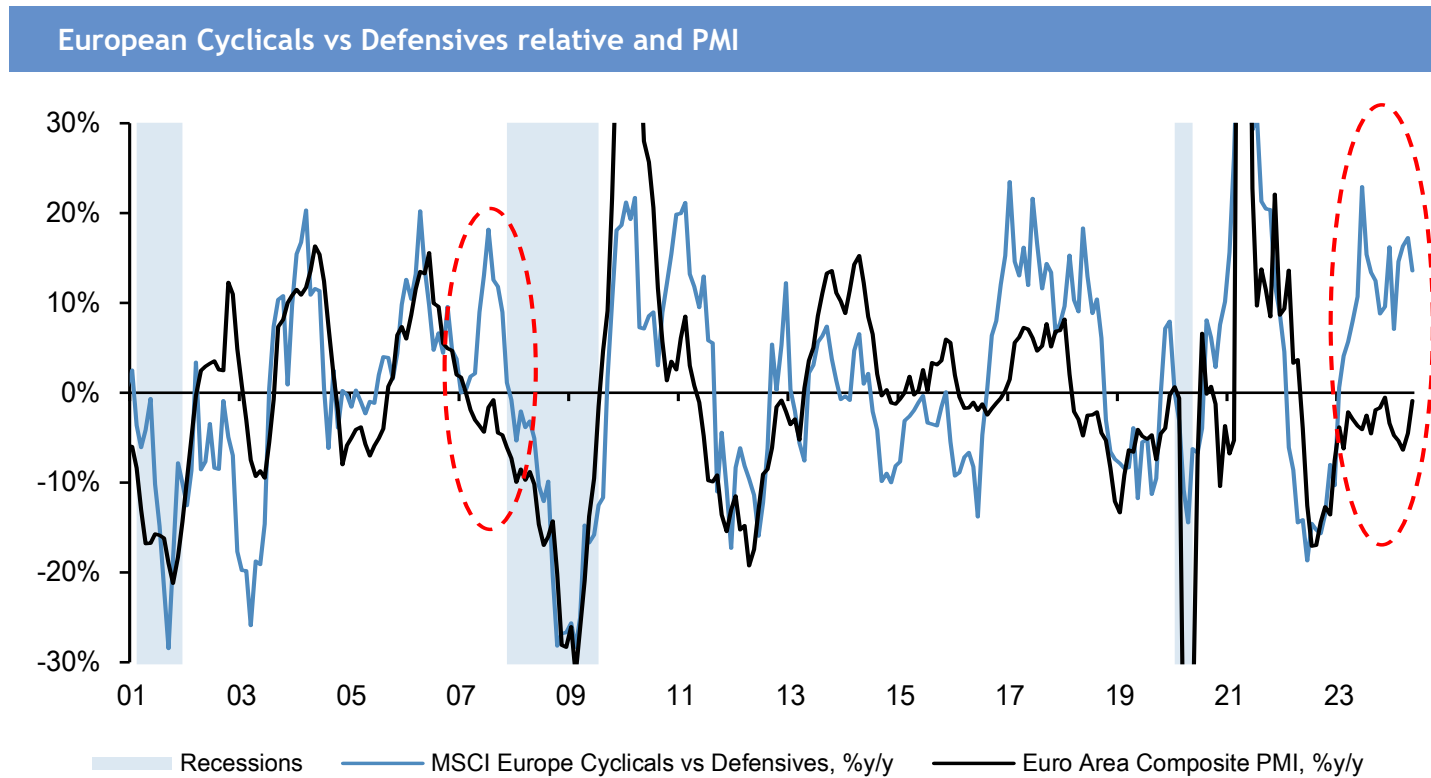


Source: Datastream



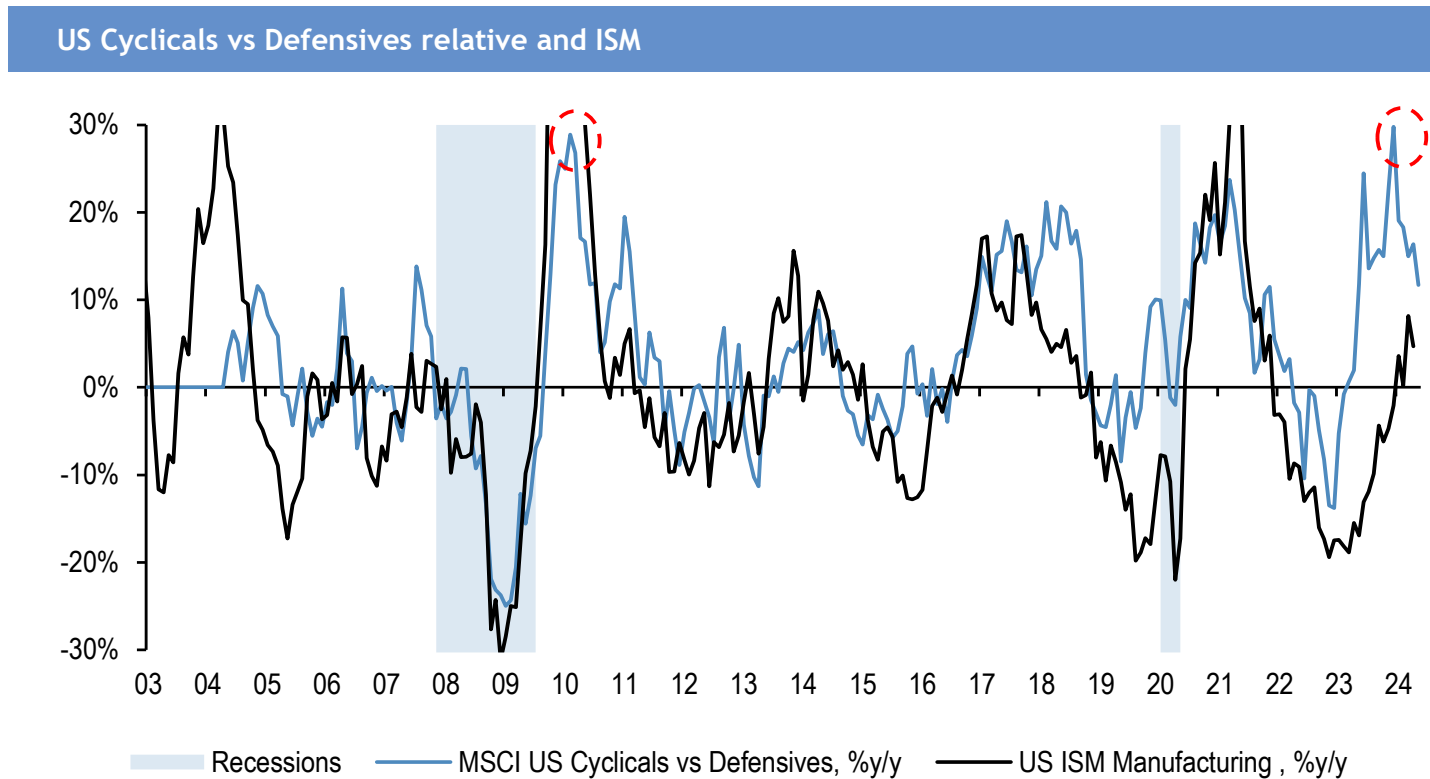
Source: Datastream

...this follows a long spell of Cyclicals leading, and moving ahead of the dataflow...
the gap that opened up between Cyc vs Def sectors and PMIs is still wide...



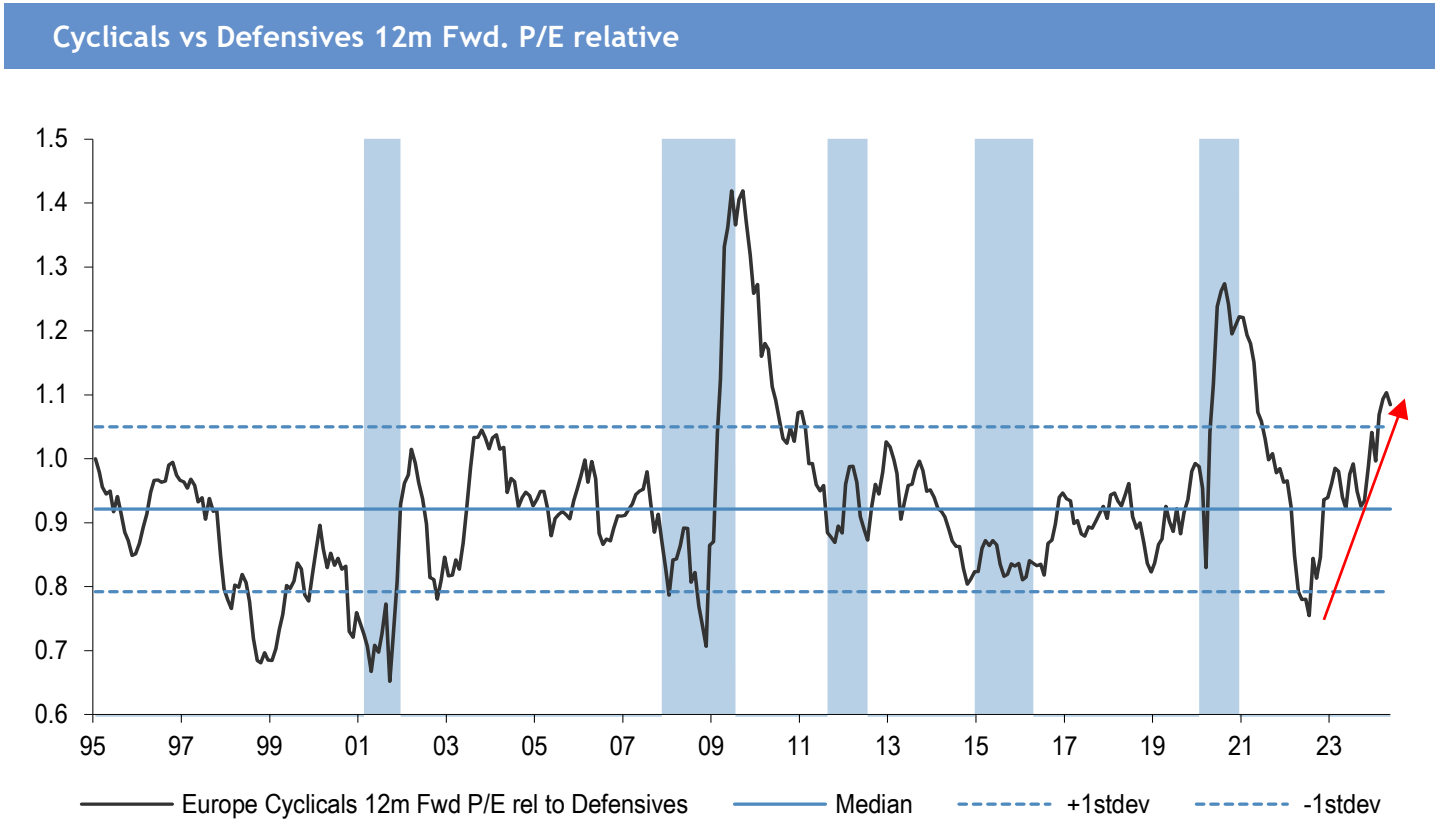
Source: IBES, S&P Global

...this is the case even in the US which has shown a much stronger activity momentum, to date...



Source: IBES, S&P Global

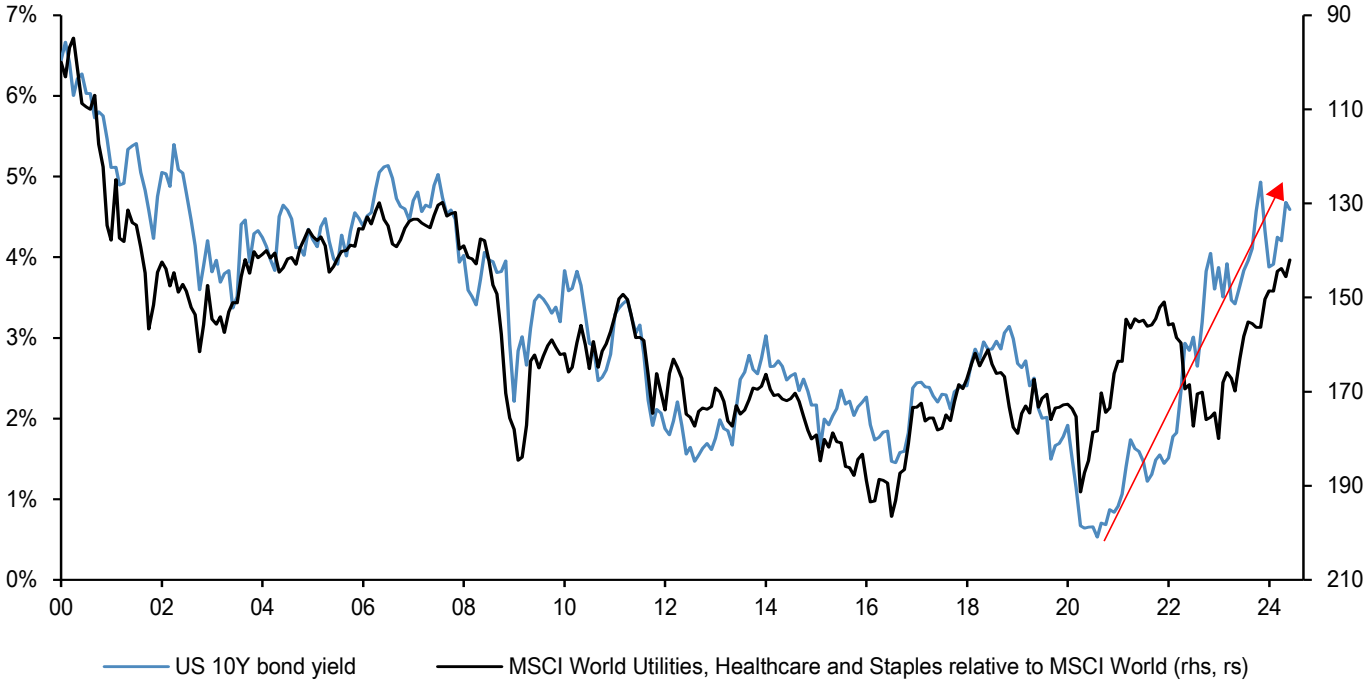
...at the end of '22, Cyclicals were outright cheap... today, they look outright expensive



Source: IBES, S&P Global

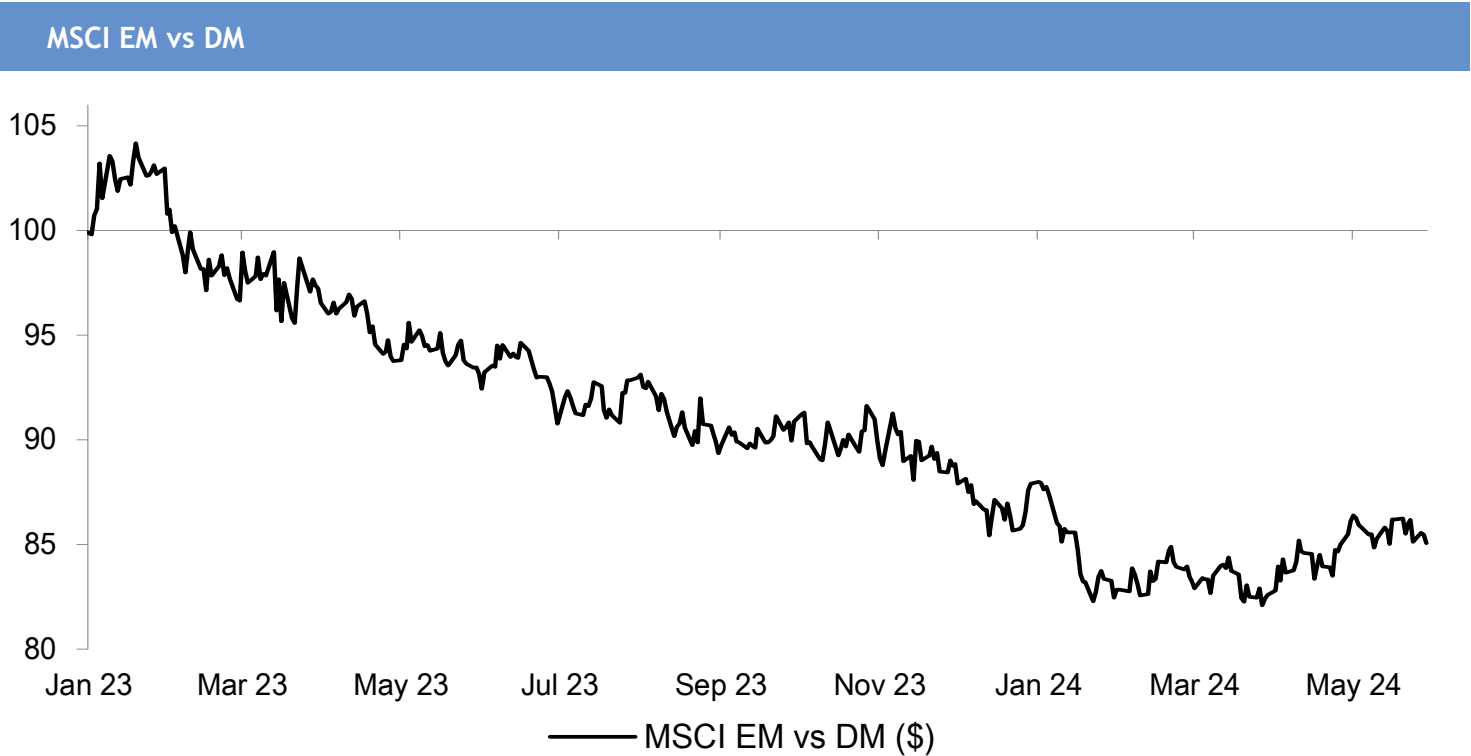
Defensives typically underperform when yields are up... bond yields might be in the process of peaking

MSCI World Defensives relative and US10Y bond yields



Source: Datastream

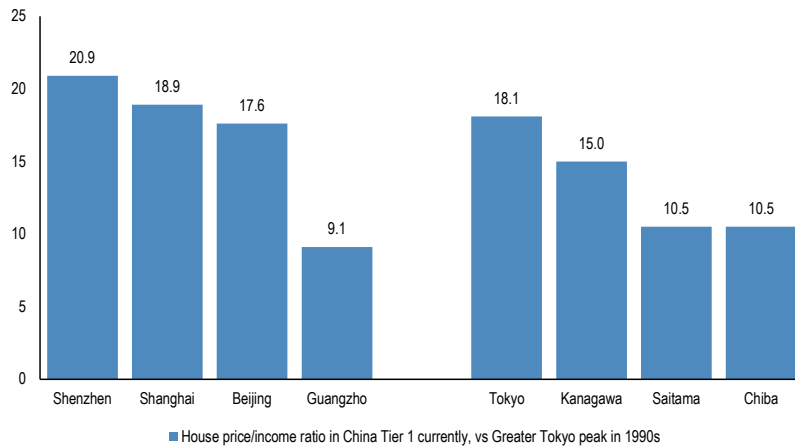
Regionally, some rotation is evident... EM appear to be stabilizing...



Source: Datastream

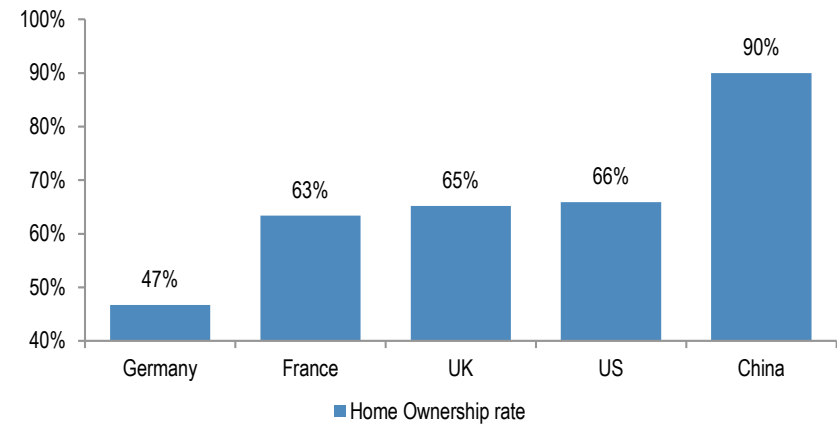
...we have a tactically more positive call on China equities - they were down 30%+ from January '23 highs – still only at 10x P/E despite recent 25% bounce...

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



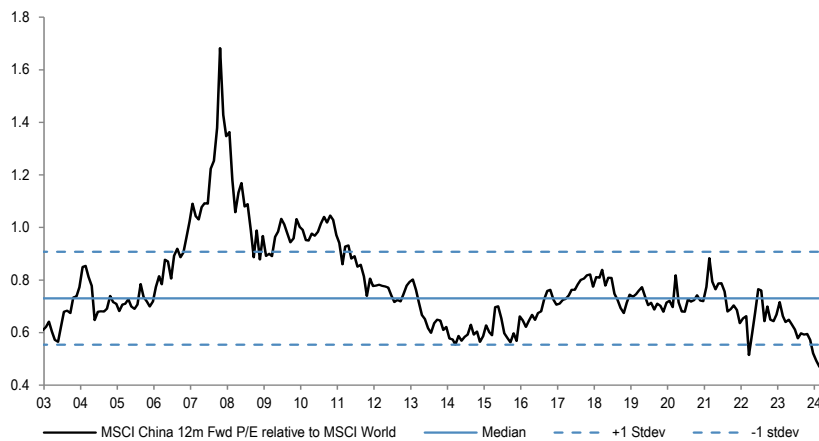
Source: J.P. Morgan China Strategy

Home ownership rate



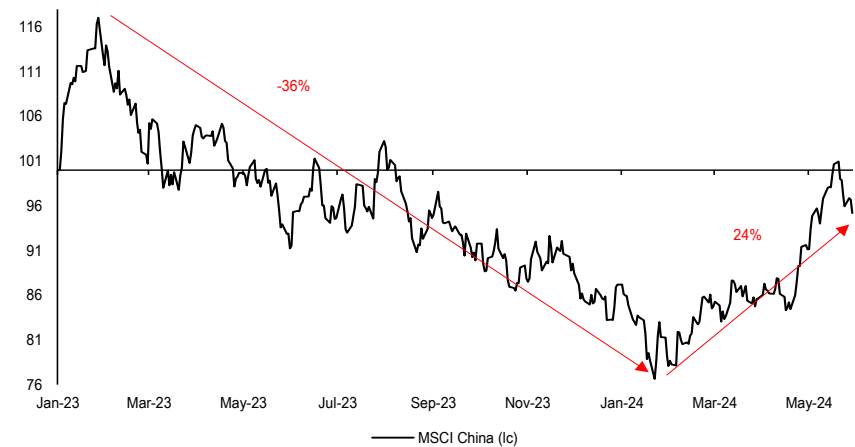
Source: Various Websites

MSCI China P/E relative



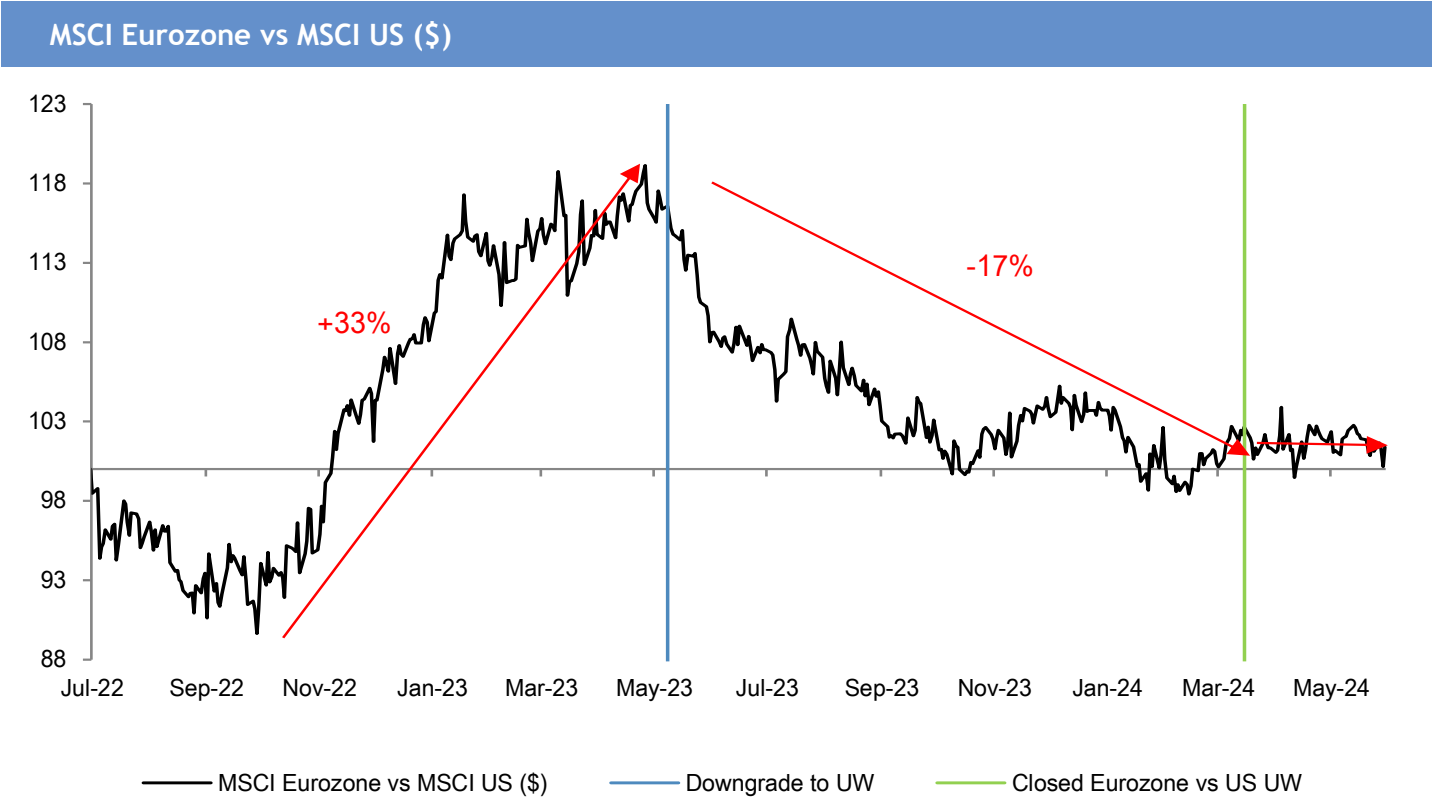
Source: Bloomberg Finance L.P.

MSCI China



Source: Datastream

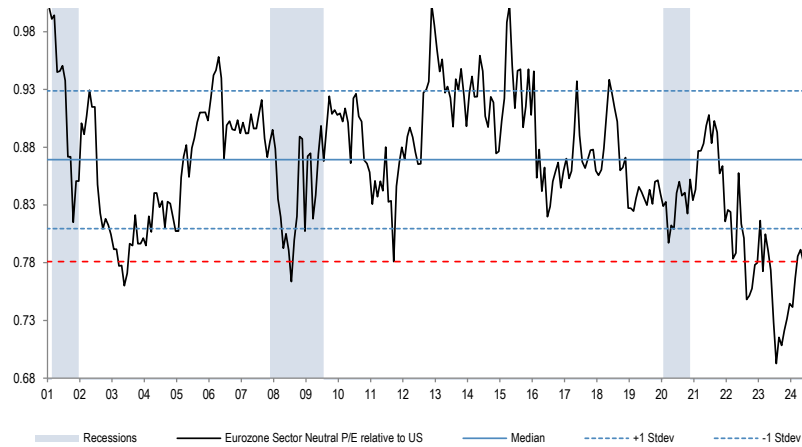
...in Q1 we closed our OW US vs Eurozone trade, that we held since May '23...



Source: Datastream

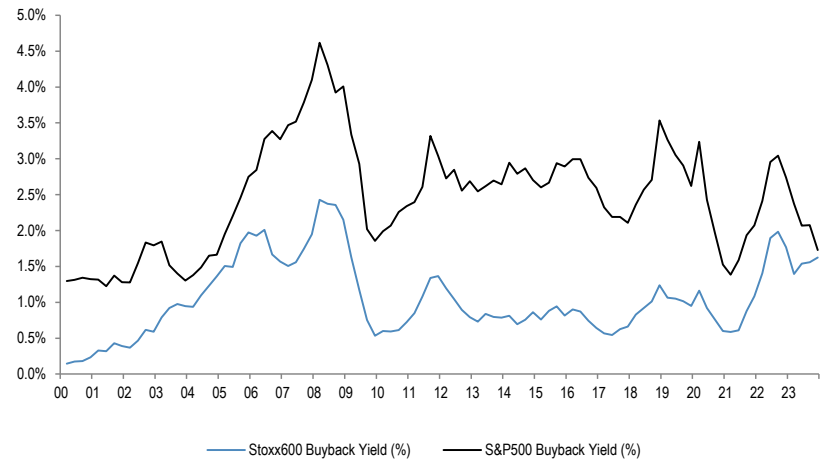
...the risk-reward for Eurozone is improving, ECB could take the lead; If there is MoMo unwind, US could suffer more

MSCI Eurozone vs US sector neutral P/E relative



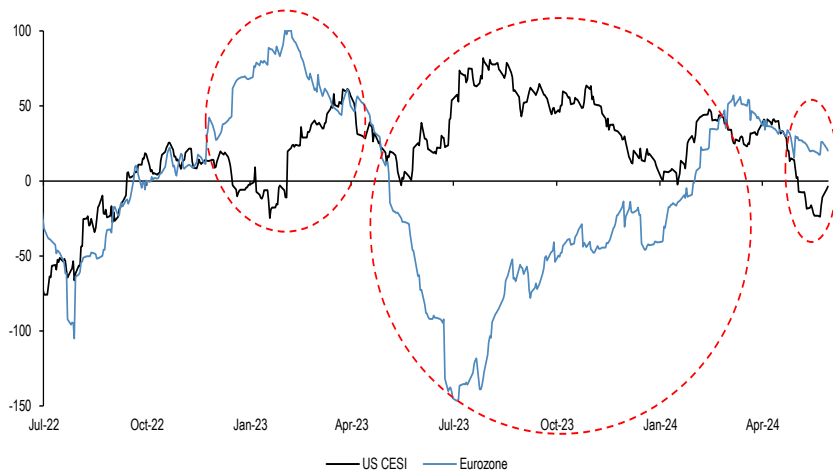
Source: Datastream

US and Europe buybacks yield



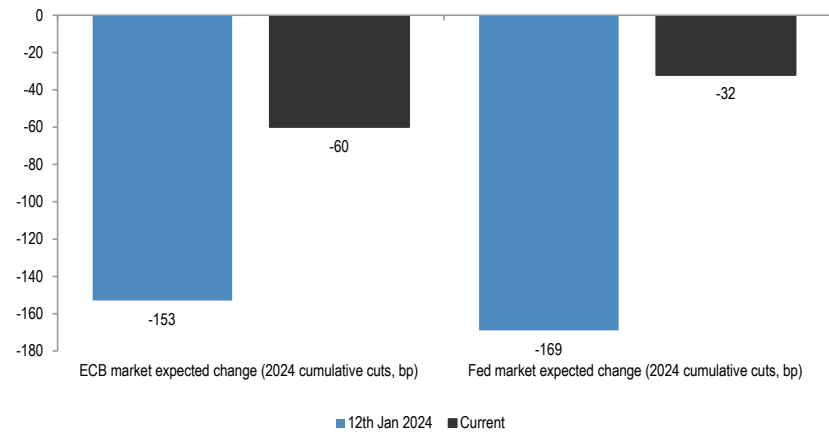
Source: Bloomberg Finance L.P.

US and Eurozone CESI



Source: Bloomberg Finance L.P.

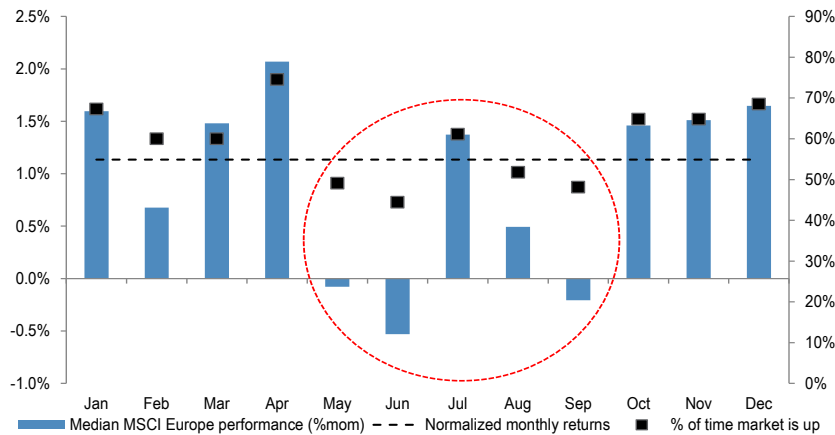
ECB & Fed market expected change: Jan'24 vs Current



Source: Bloomberg Finance L.P.

At the overall market level, positioning is stretched, seasonals are turning, credit spreads are the tightest since 2007...

Seasonality* of MSCI Europe performance



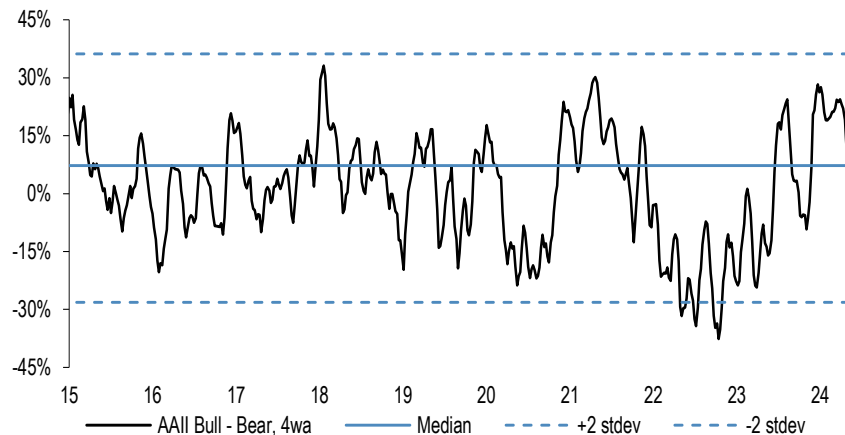
Source: Datastream, *Median since 1970

Gap between spread on US bonds rated B and BBB



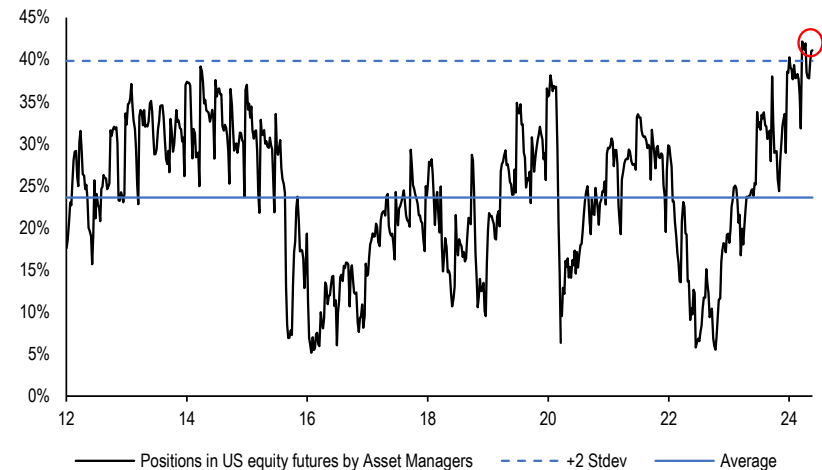
Source: Bloomberg Finance L.P.

AAll Bull-Bear



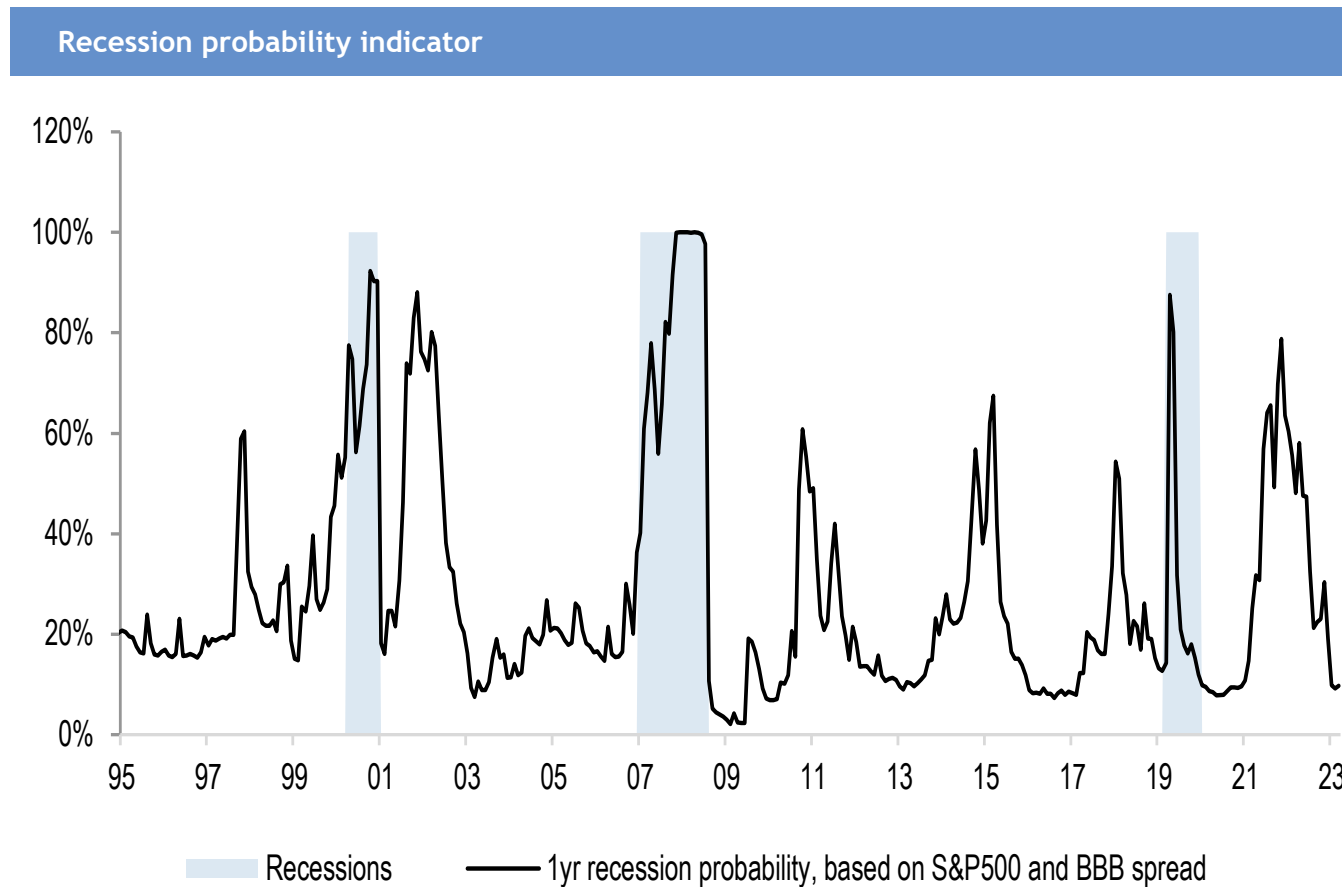
Source: Bloomberg Finance L.P.

Positions in US Equity futures by Asset Managers and Leveraged Funds



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

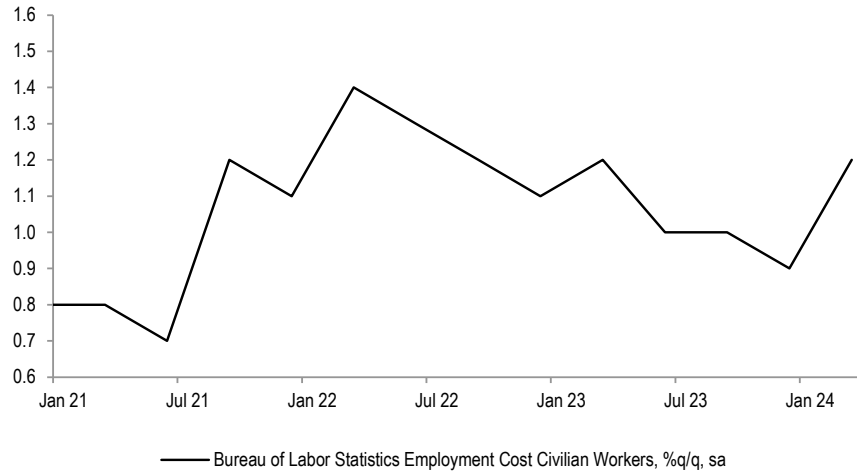
...unlike at start of '23, when most had high chance of recession as a base case, consensus views and market pricing are much more hopeful now...



Source: J.P. Morgan

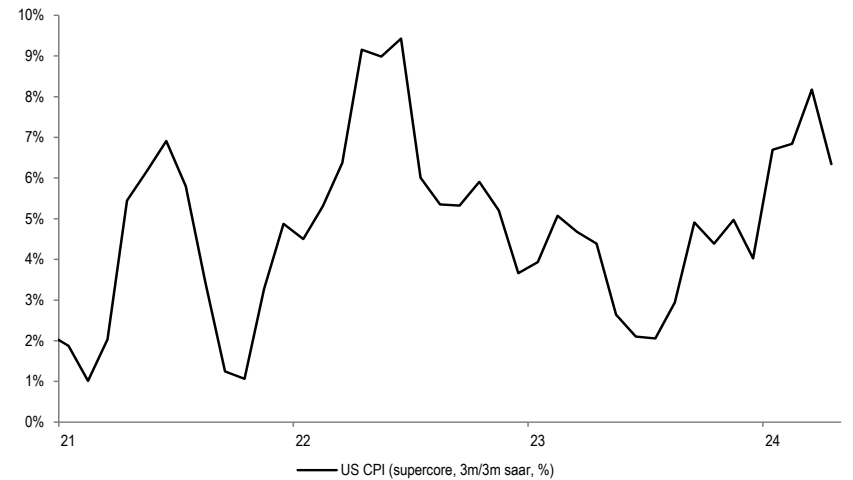
...Goldilocks narrative might end up challenged, from both sides... inflation could stay too hot... negative term premia doesn't provide any cushion...

US employment cost index (ECI)



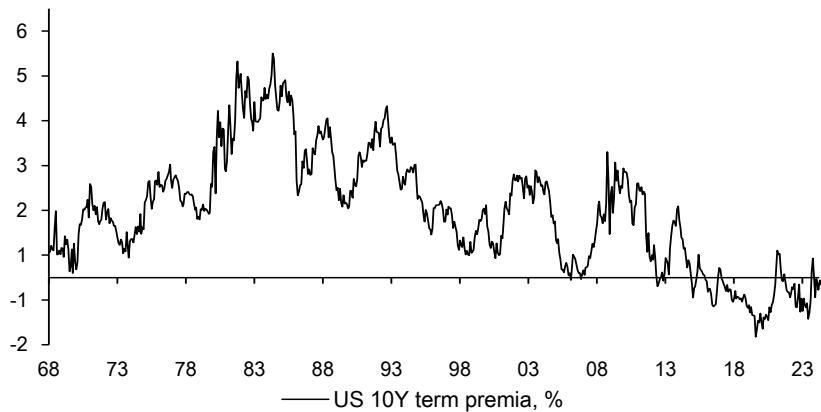
Source: Bloomberg Finance L.P.

US supercore inflation



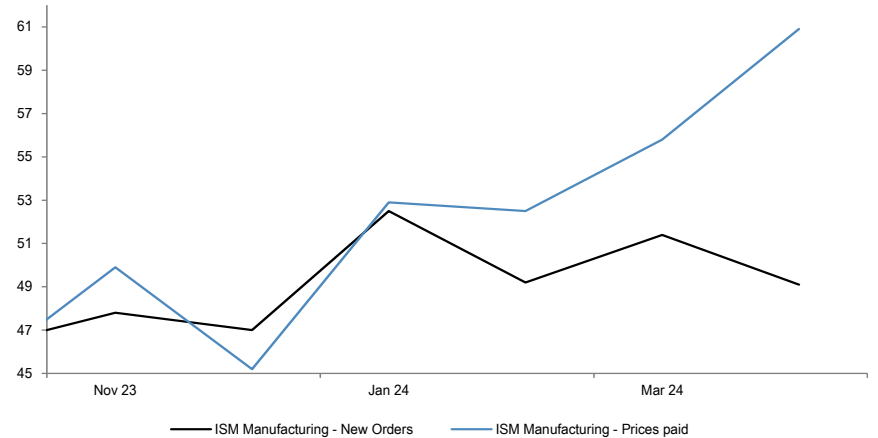
Source: Bloomberg Finance L.P.

US term premia



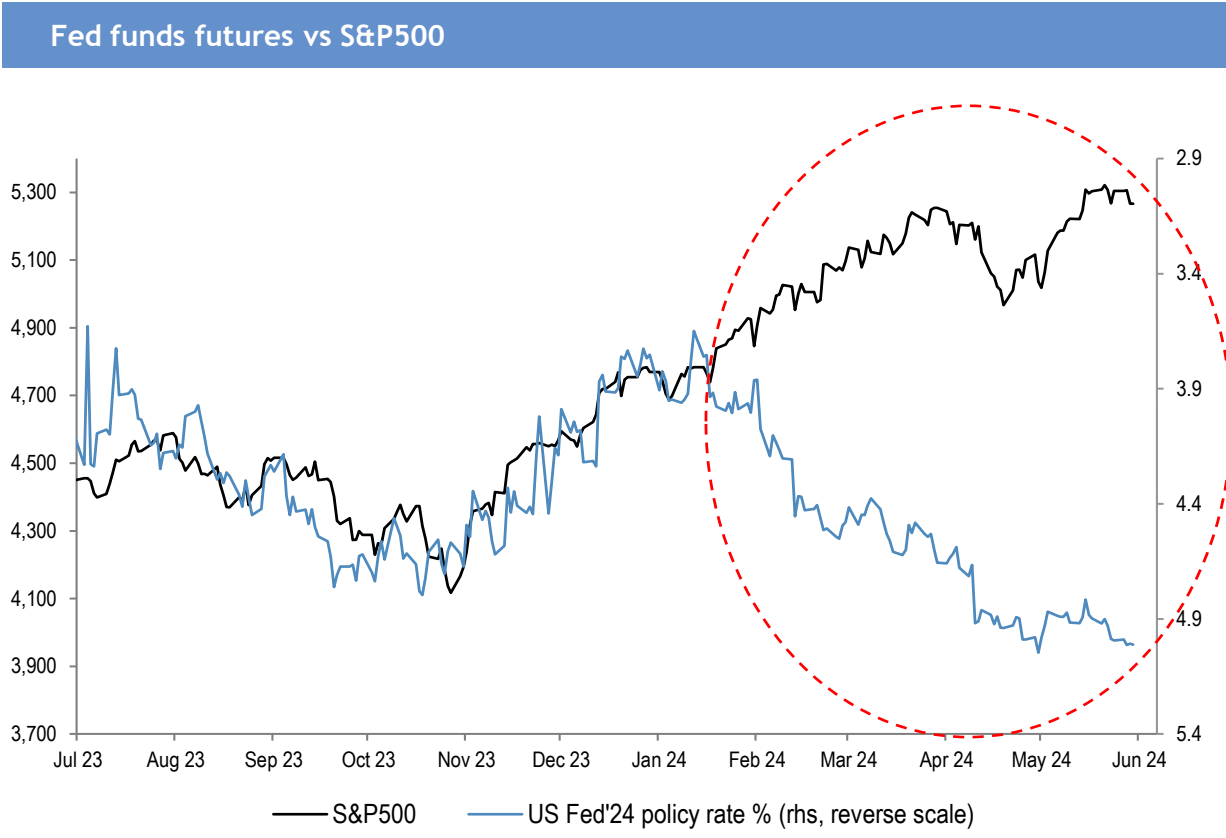
Source: J.P. Morgan

ISM Manufacturing - New orders and prices paid



Source: ISM

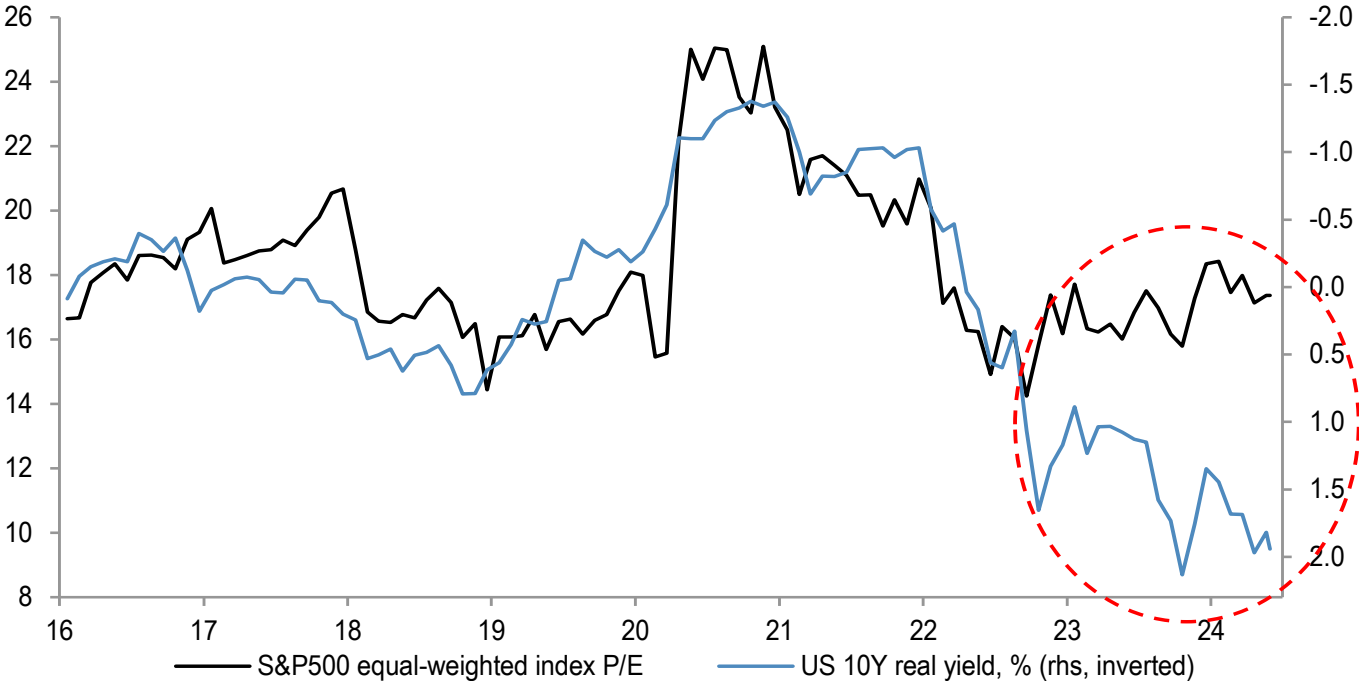
...a big gap opened up ytd between equity indices and the Fed futures



Source: Bloomberg Finance L.P.

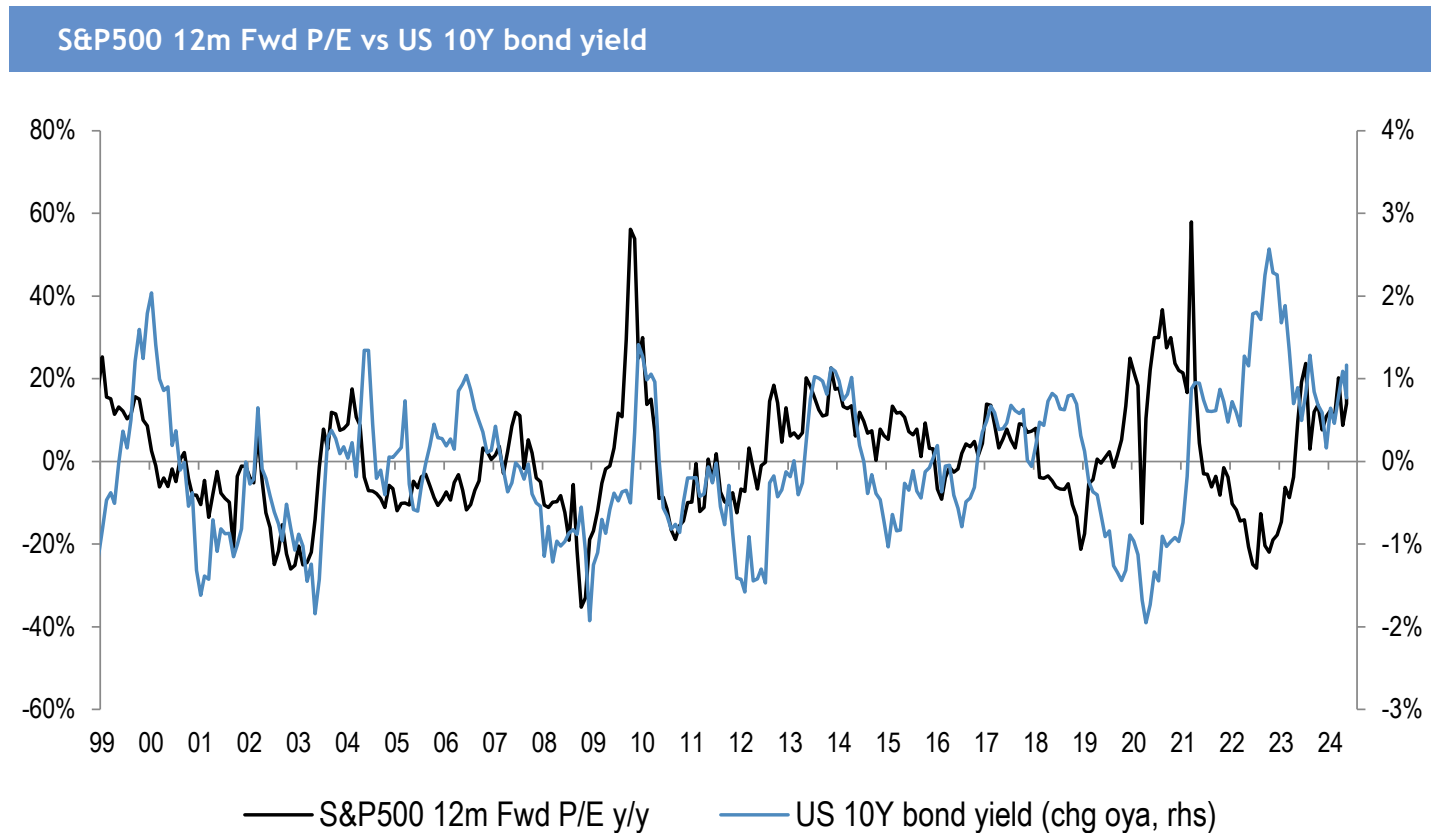
Equity market valuations do not offer a cushion vs bond yields...

S&P500 equal weighted index P/E vs US real yield



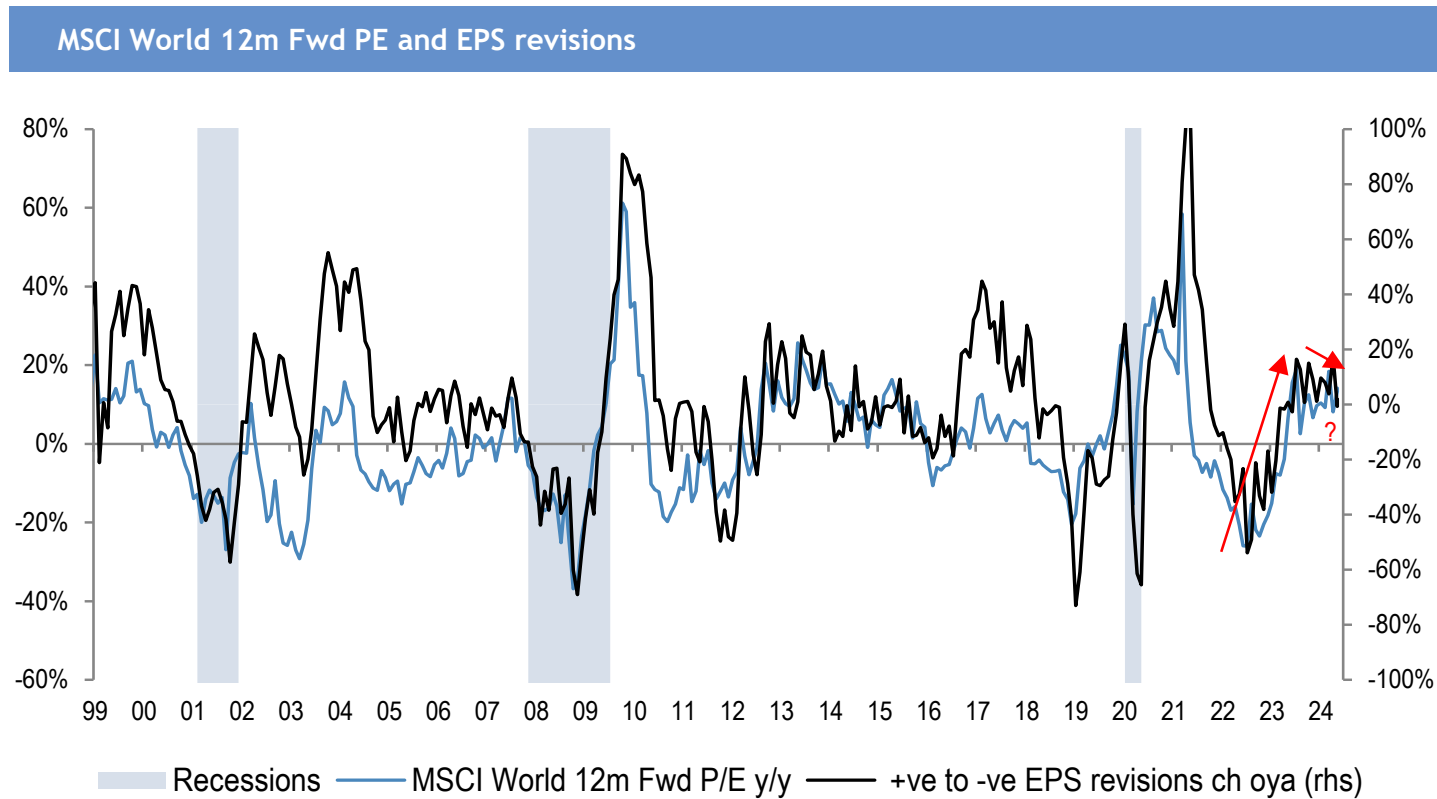
Source: IBES

...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

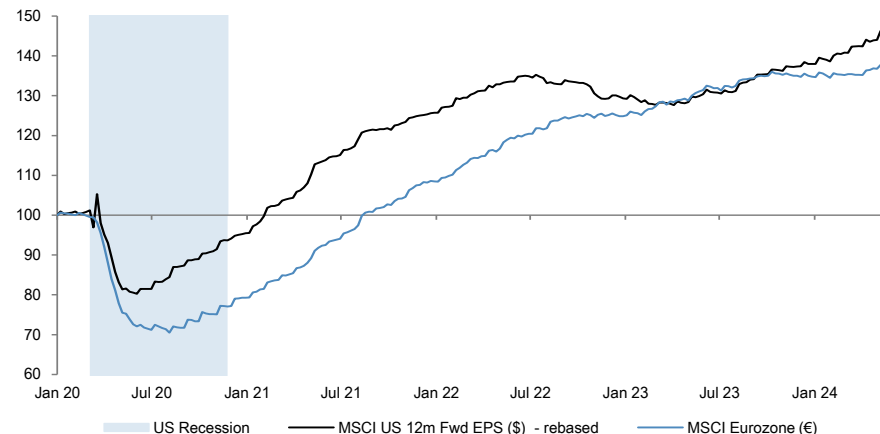
We were bullish on earnings for the past few years, believing them to be resilient. This could change, even without a recession...

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

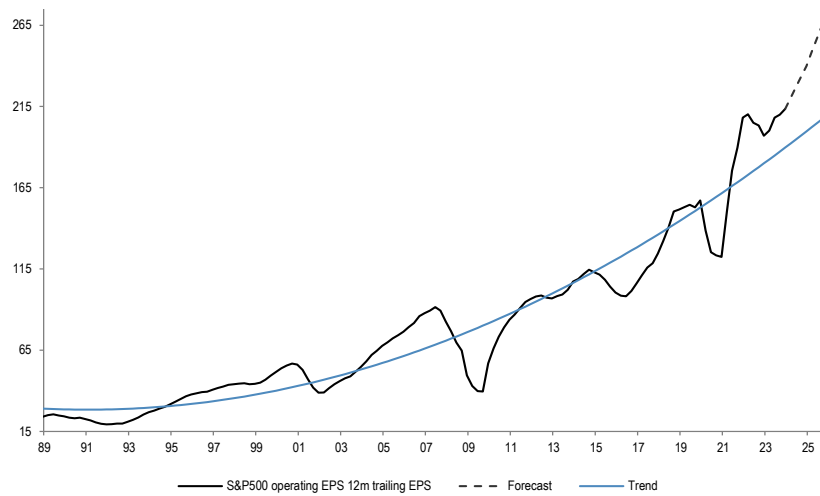
Changes in UK equities, earnings and PE during past recessions

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

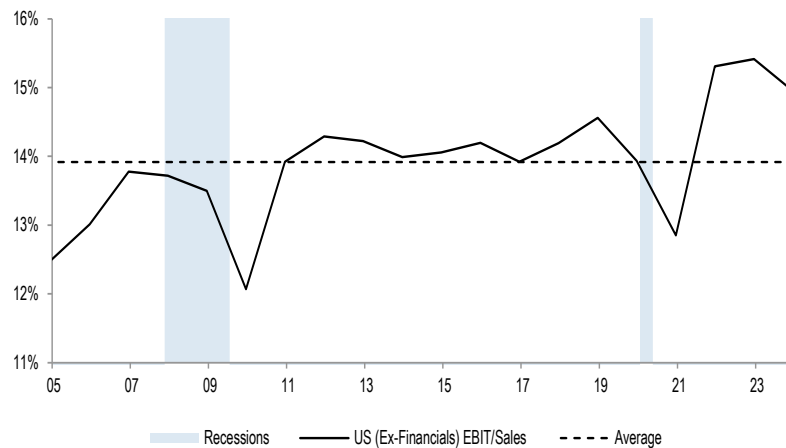
...the starting point is elevated... post COVID profit margins reached record highs, and are now showing signs of peaking...

S&P500 EPS vs trend



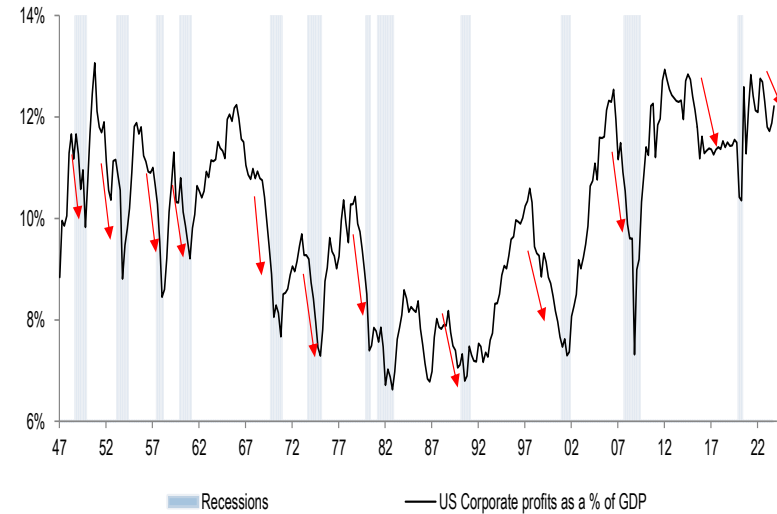
Source: Datastream

US EBIT margin - ex Financials



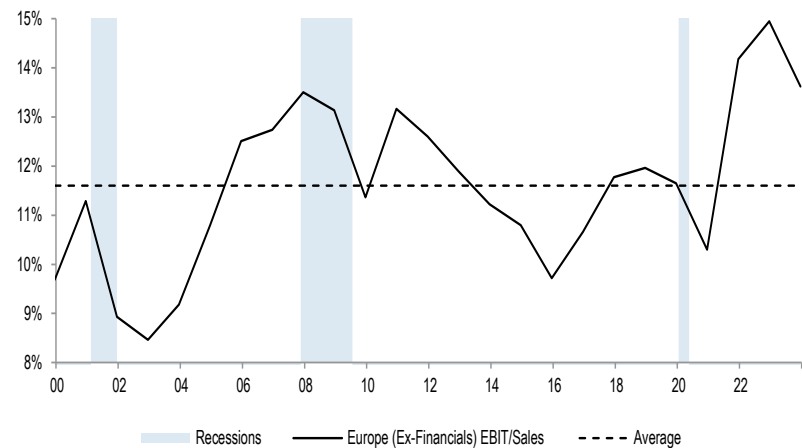
Source: Datastream

US Corporate profits as a % of GDP



Source: FRED

European EBIT margin - ex Financials



Source: Datastream

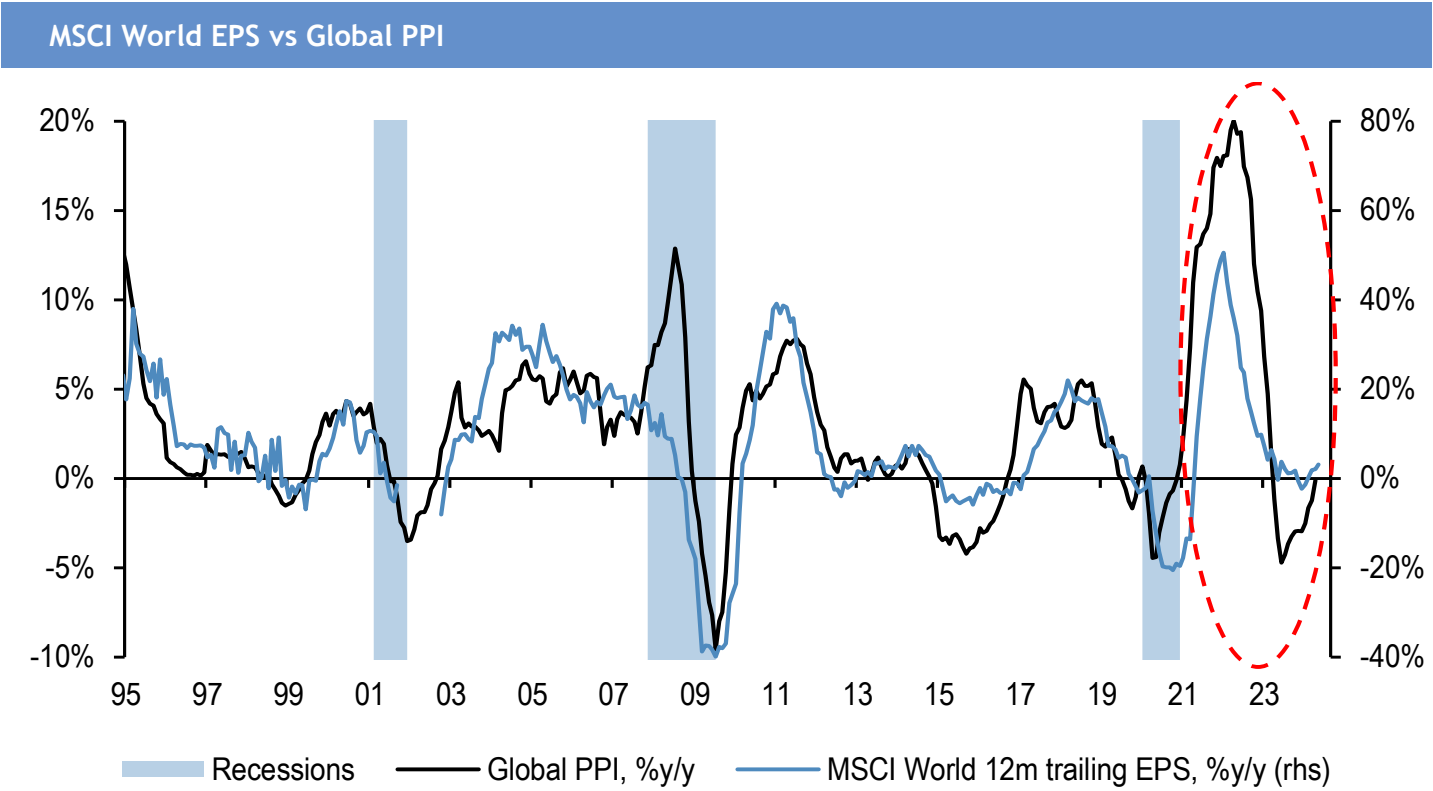
...consensus is looking for EPS growth re-acceleration this and next year...

MSCI World consensus EPS growth projections

	MSCI World			
	2023	2024e	2025e	2026e
Market	1.1%	8.2%	12.6%	10.8%
Energy	-25.4%	-6.2%	7.6%	3.4%
Materials	-31.1%	1.7%	13.4%	7.3%
Industrials	7.1%	6.9%	12.9%	11.8%
Discretionary	34.1%	9.1%	12.9%	12.8%
Staples	1.9%	4.6%	8.6%	7.9%
Healthcare	-14.1%	8.0%	17.6%	11.2%
Financials	13.1%	8.3%	9.0%	10.7%
IT	5.1%	16.2%	20.1%	14.6%
Com Services	21.7%	22.5%	12.8%	12.5%
Utilities	11.7%	5.7%	4.9%	5.9%
Real Estate	-6.1%	0.4%	7.5%	8.3%

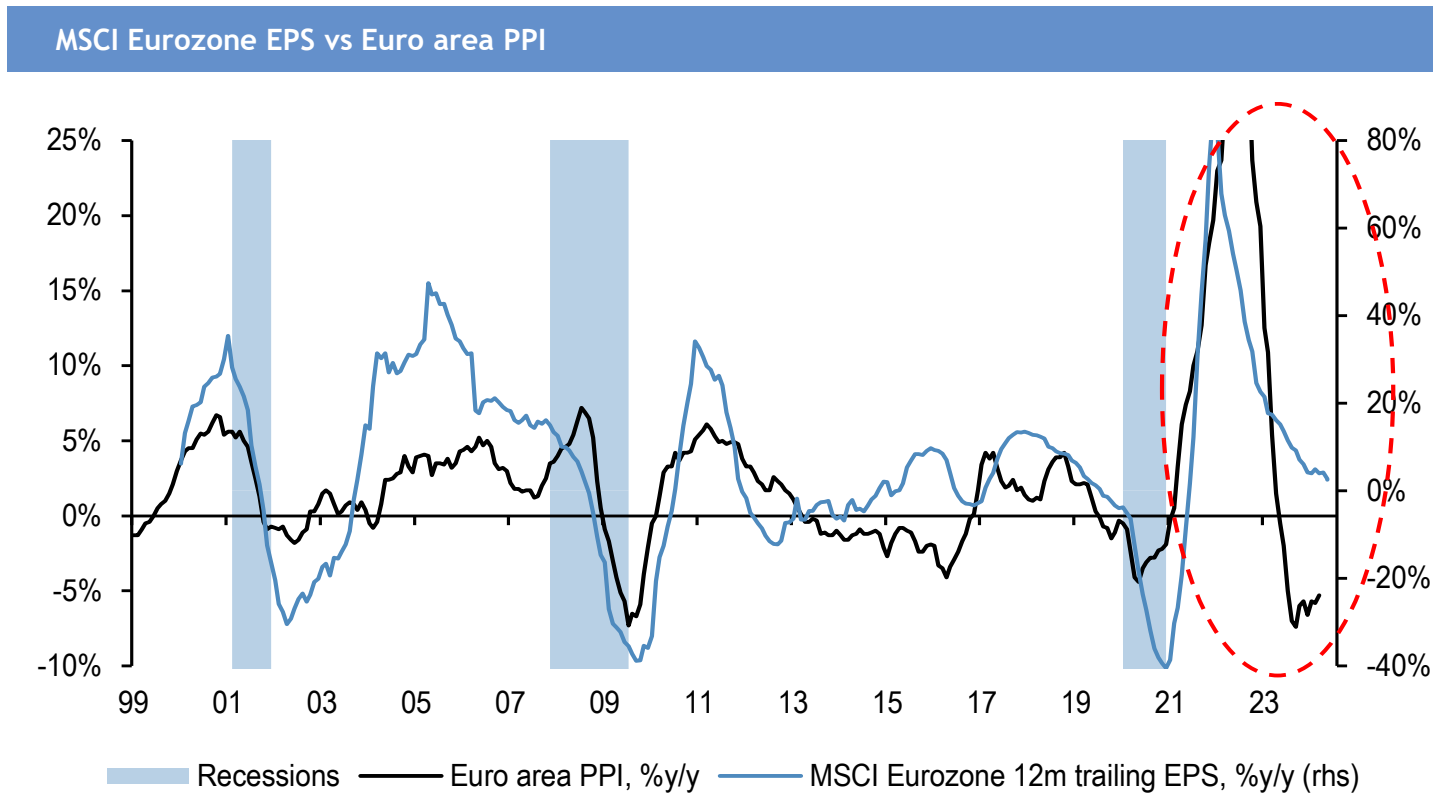
Source: IBES

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



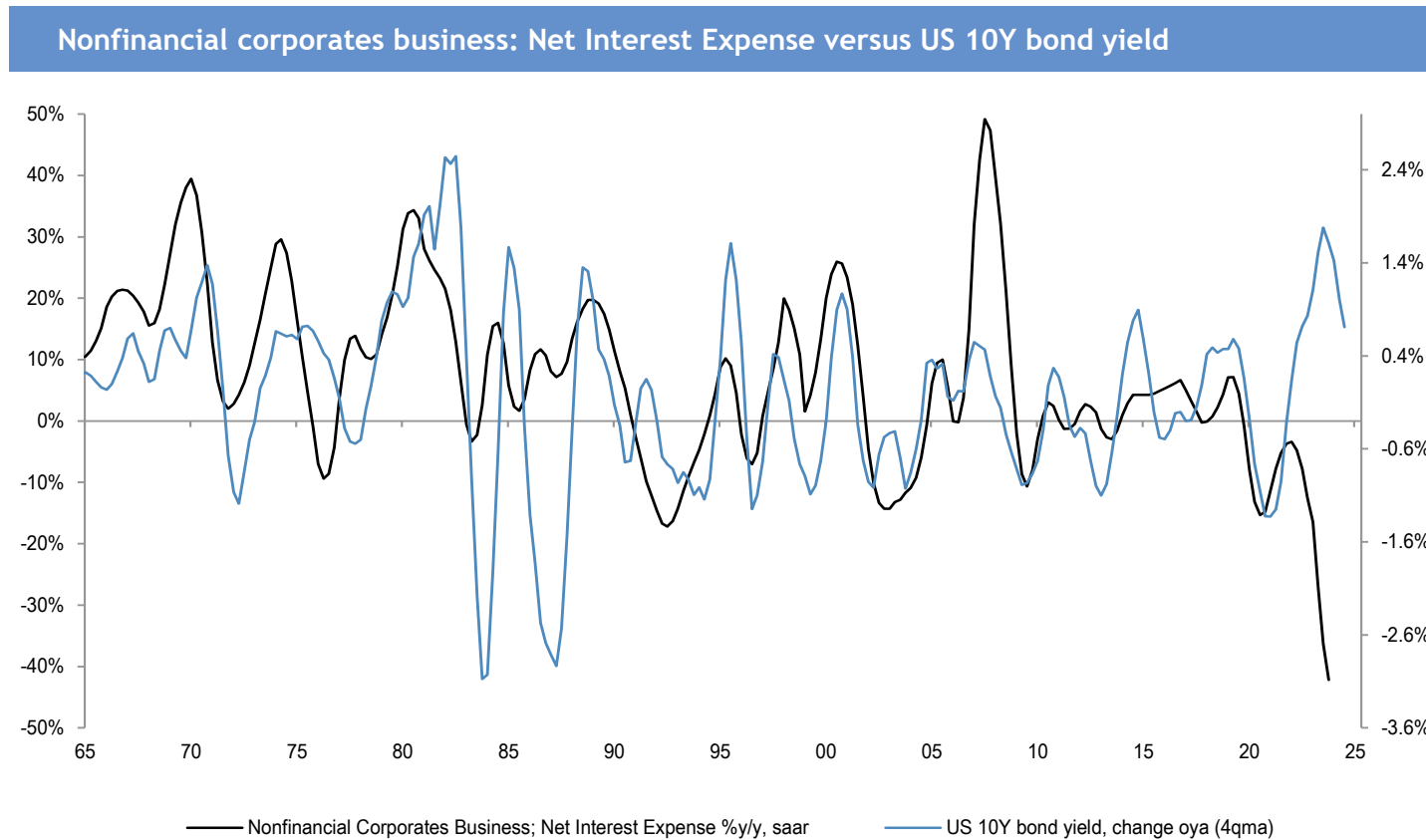
Source: IBES

...and in Europe...



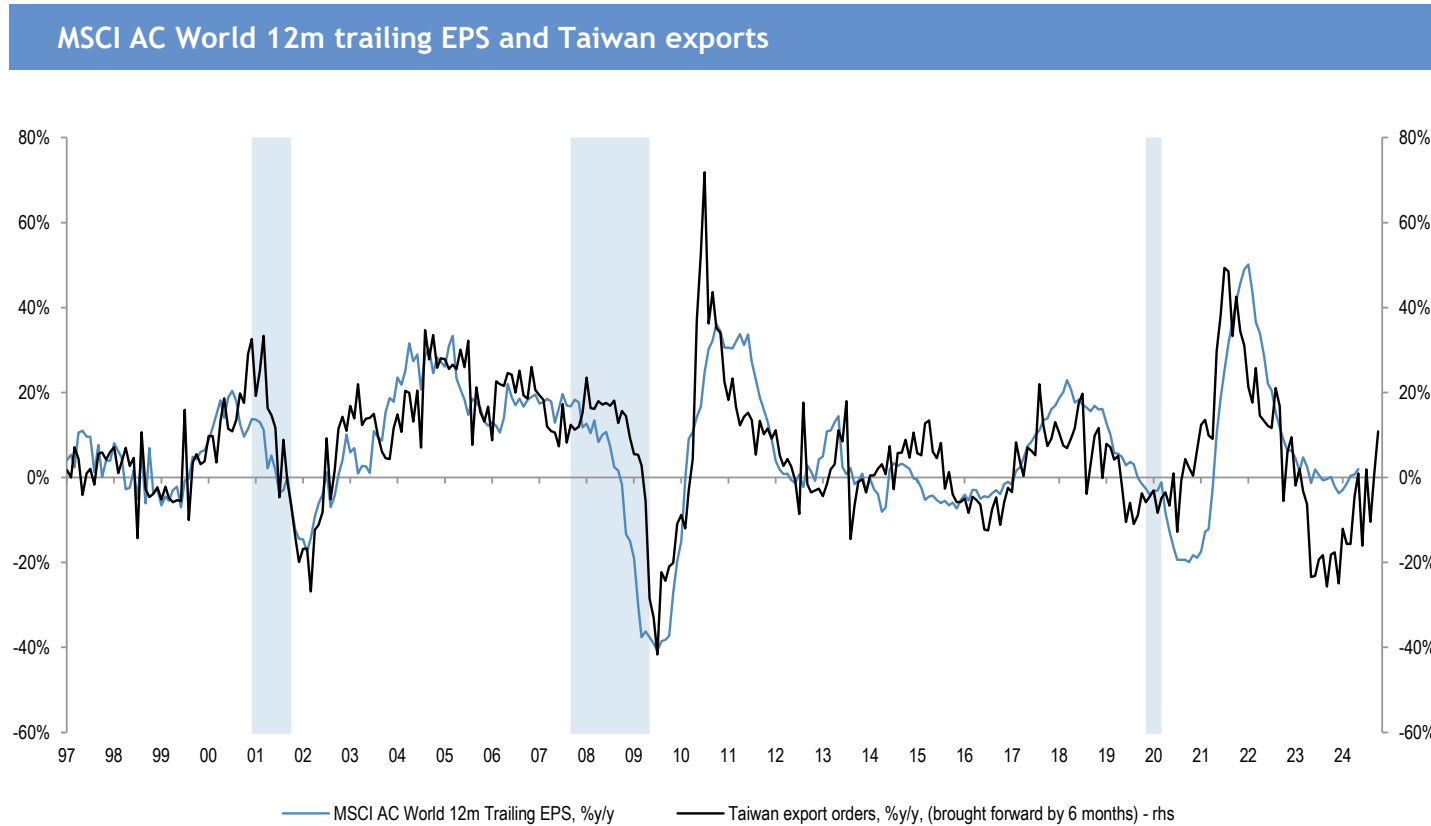
Source: IBES

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



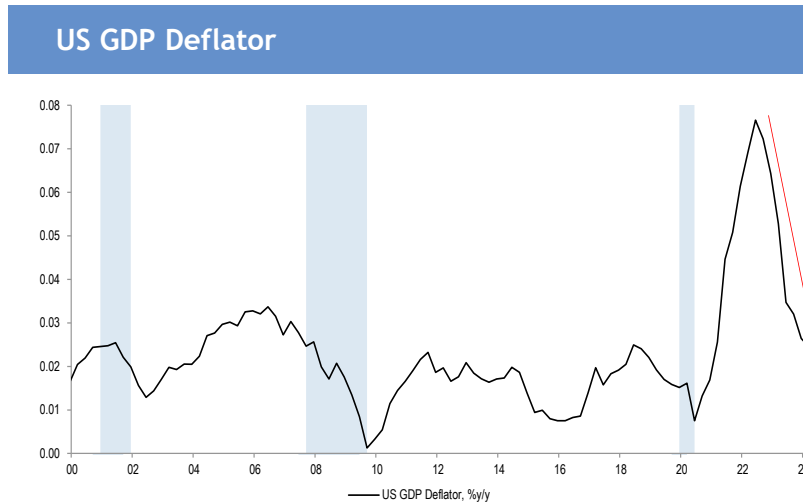
Source: Bloomberg Finance L.P., FRED

...volume growth needs to keep accelerating to deliver positive operating leverage...

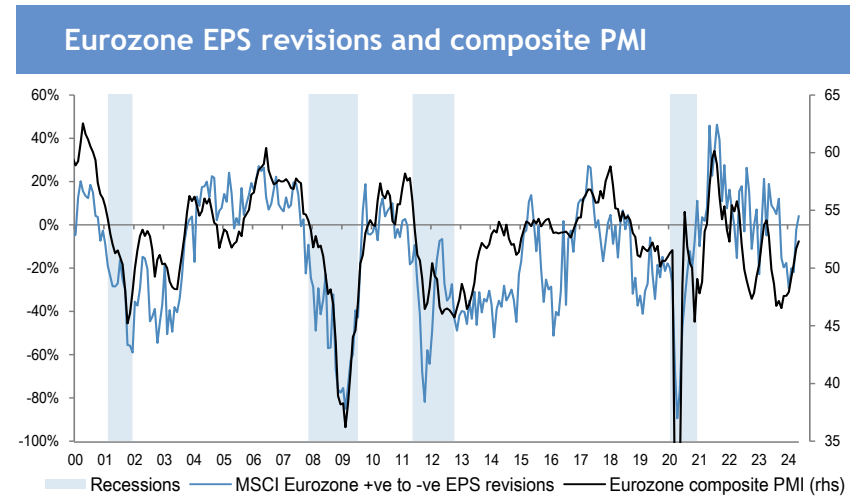


Source: IBES, S&P Global

...GDP deflators are normalizing, this will impact topline; Eurozone EPS revisions need PMIs above 54 to stay positive...



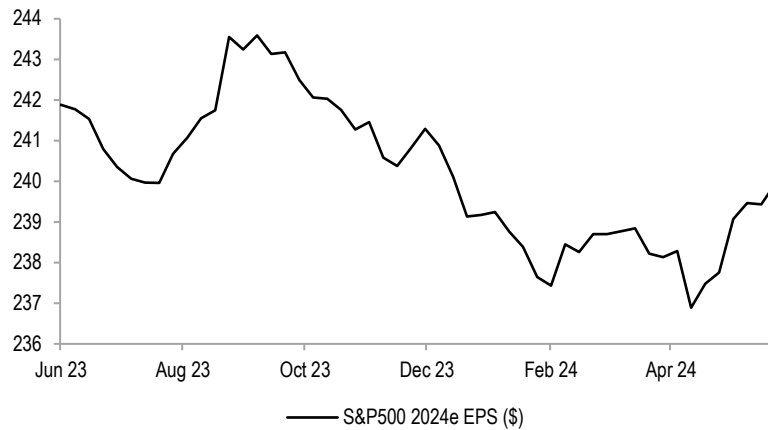
Source: J.P. Morgan



Source: IBES

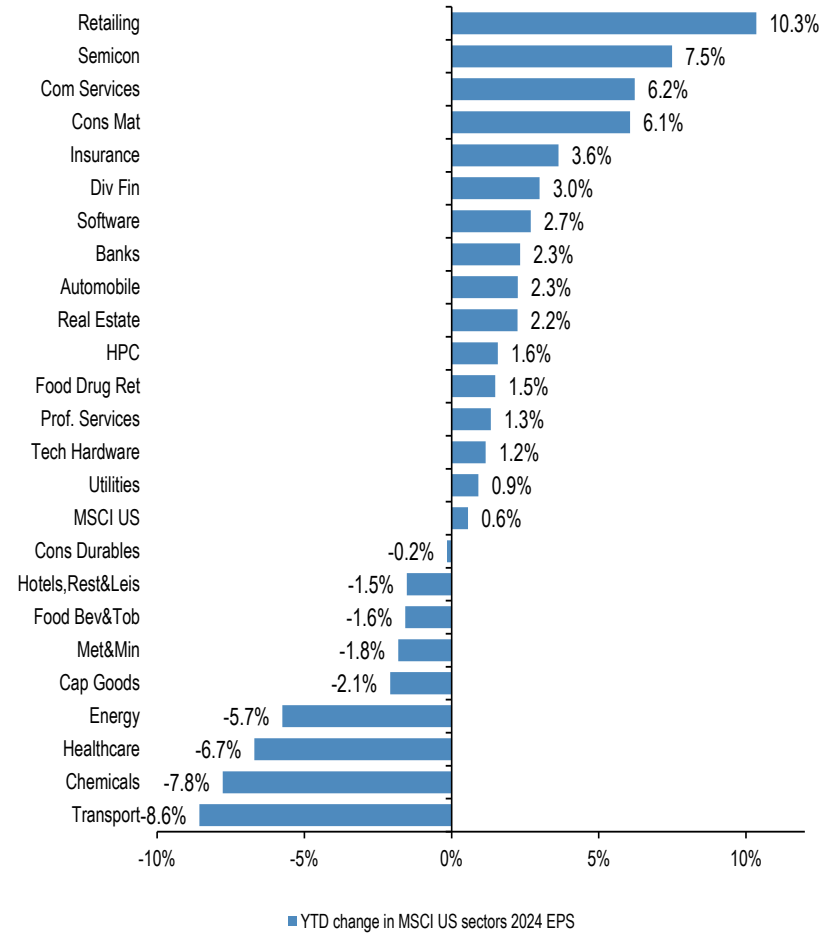
...2024 US EPS projections have improved of late, but only to flat ytd...

S&P500 2024e EPS



Source: IBES

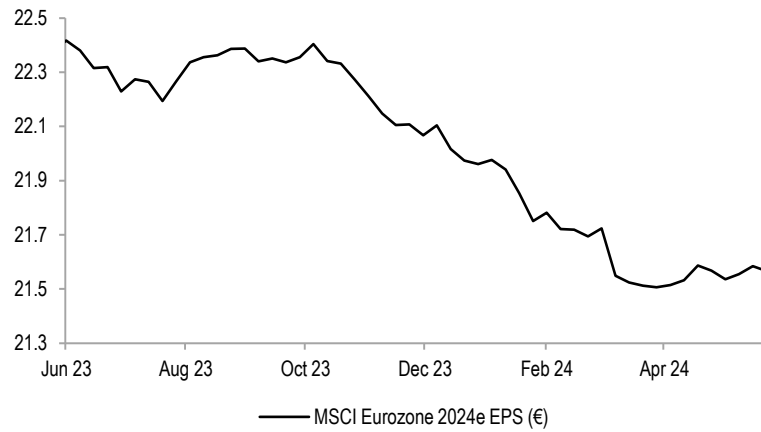
MSCI US sectors 2024e EPS ytd change



Source: IBES

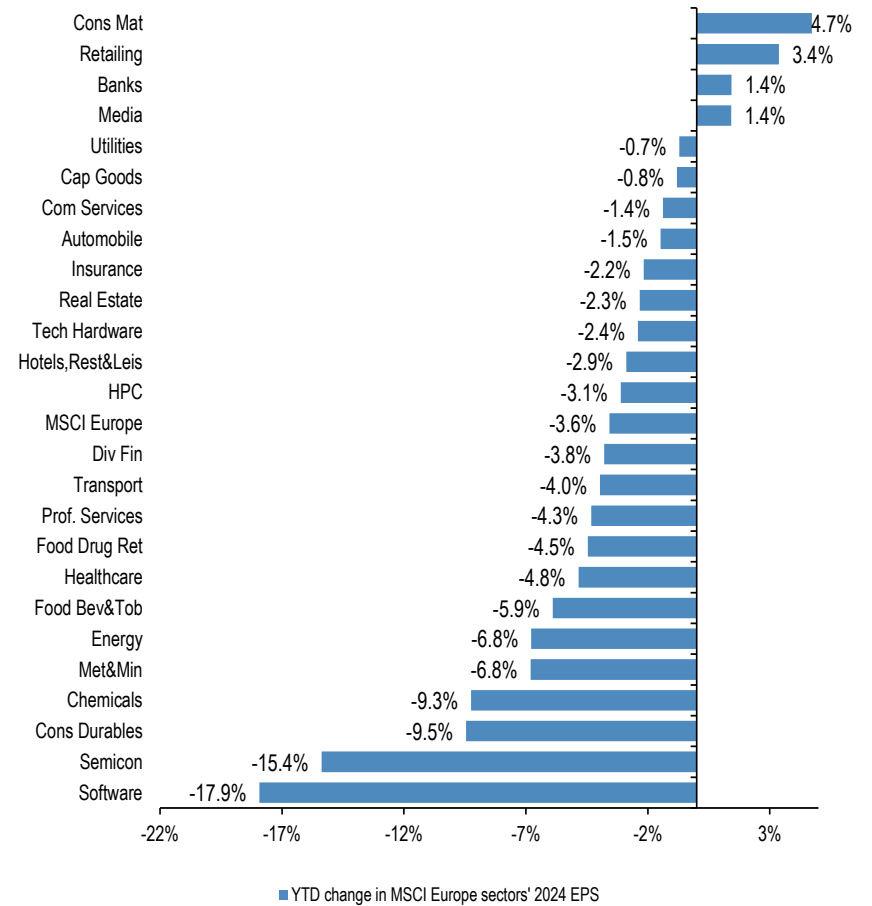
... most European sectors have seen downgrades so far ytd...

MSCI Eurozone 2024e EPS



Source: IBES

MSCI Europe sectors 2024e EPS ytd change



Source: IBES

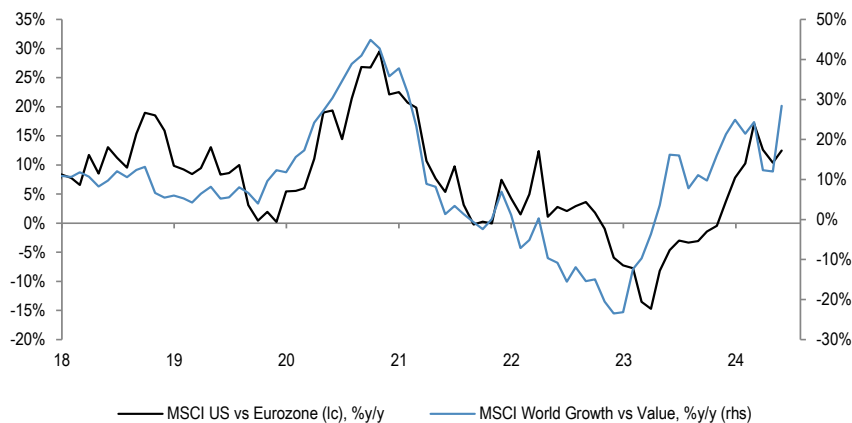
...earnings delivery is narrow, ex Mag-7 it is negative; earnings of Growth style are still advancing vs Value...

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%

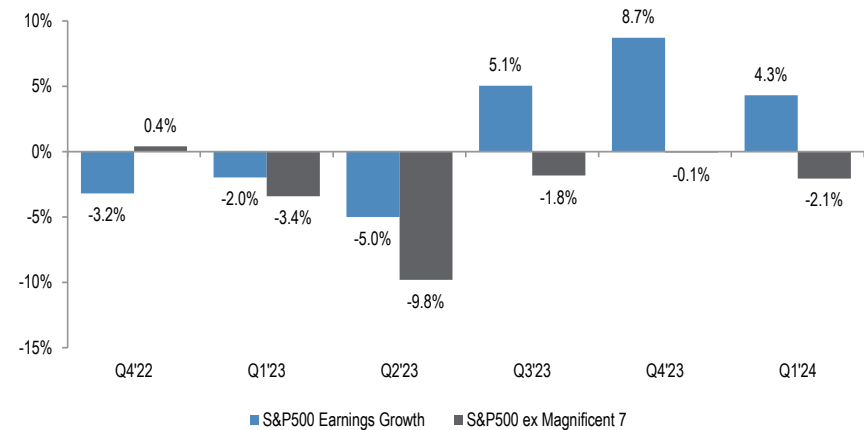
Source: Datastream

MSCI US vs Eurozone and World Growth vs Value



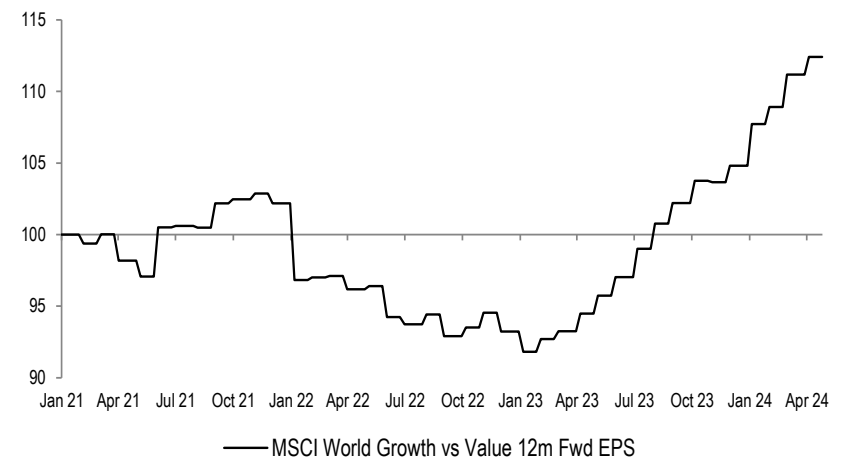
Source: Datastream

SPX and SPX ex Magnificent 7 quarterly earnings growth



Source: Bloomberg Finance L.P.

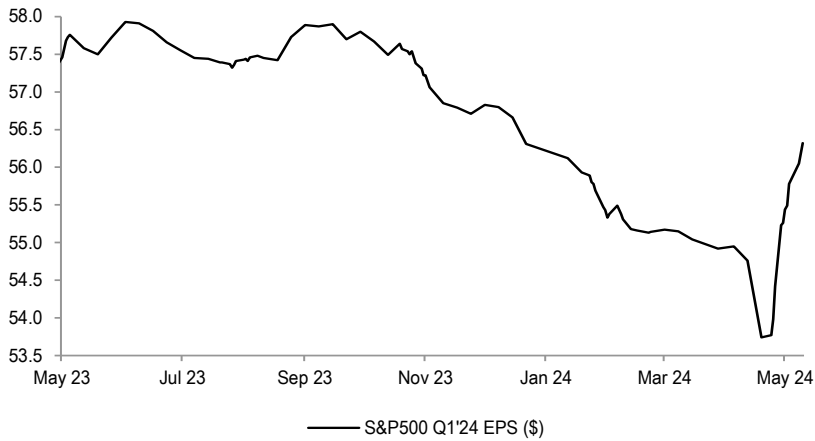
MSCI World Growth vs Value 12m Fwd. EPS



Source: IBES

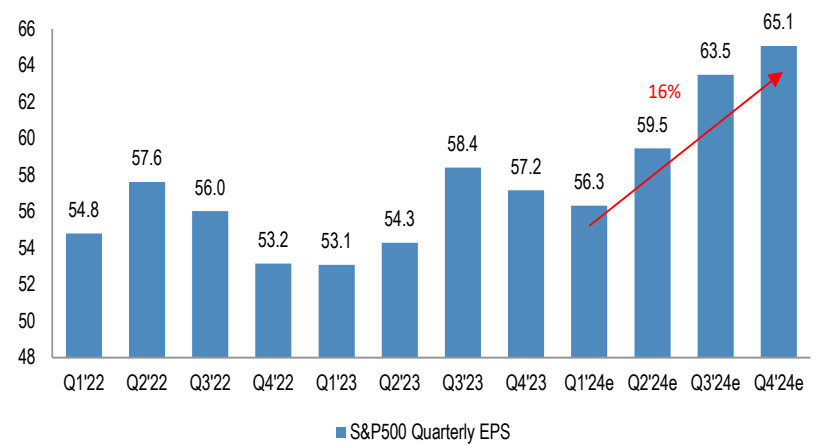
...the usual quarterly beat aside, 16% implied EPS acceleration between Q1 and Q4 for S&P500 consensus projections is steep

S&P500 Blended Q1 '24e EPS



Source: Thomson Reuters

S&P500 Quarterly EPS



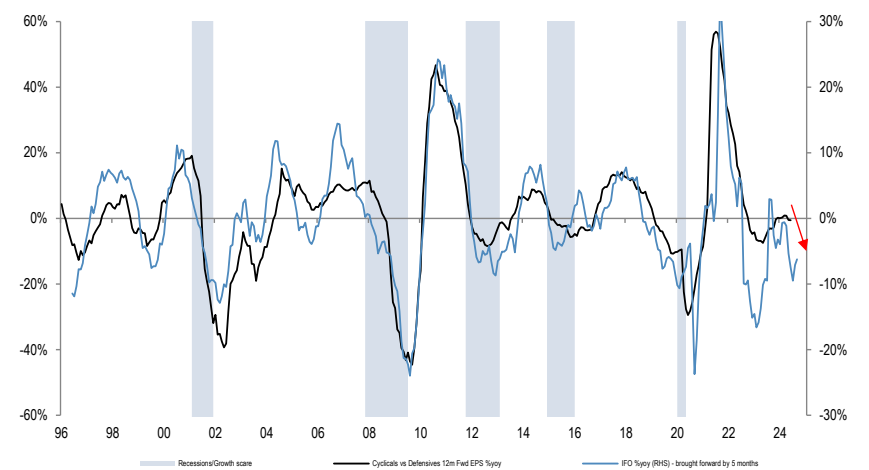
Source: Thomson Reuters

S&P500 historical quarterly earnings: Q4 vs Q1 move

	1Q	2Q	3Q	4Q	4Q vs 1Q
2010	19.7	21.5	21.8	22.6	14%
2011	23.5	24.1	25.7	24.6	4%
2012	25.6	25.8	26.0	26.3	3%
2013	26.7	27.4	27.6	28.6	7%
2014	28.2	30.1	30.0	30.5	8%
2015	28.6	30.1	30.0	29.5	3%
2016	27.0	29.6	31.2	31.3	16%
2017	30.9	32.6	33.5	36.0	17%
2018	38.1	41.0	42.7	41.2	8%
2019	39.2	41.3	42.1	42.0	7%
2020	33.1	28.0	38.7	42.6	29%
2021	49.1	52.6	53.7	54.0	10%
2022	54.8	57.6	56.0	53.2	-3%
2023	53.1	54.3	58.4	57.2	8%
2024e	56.3	59.5	63.5	65.1	16%
Average					10%
Median					8%

Source: Bloomberg Finance L.P.

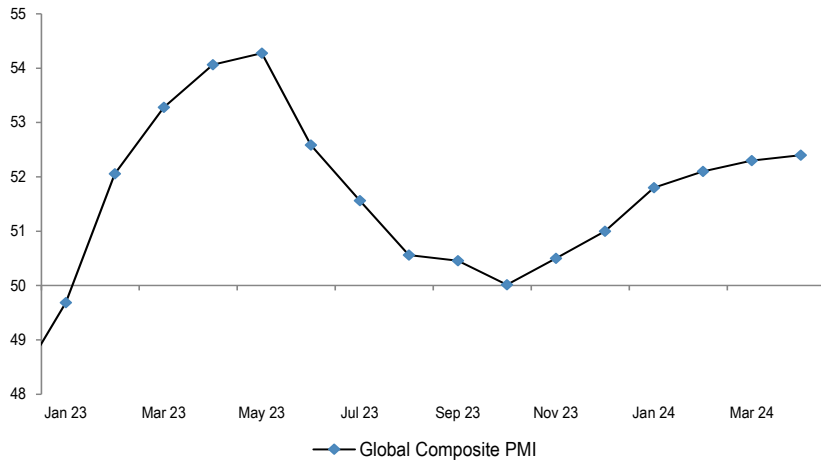
Cyclicals vs Defensives 12m Fwd. EPS and IFO



Source: IBES, S&P Global

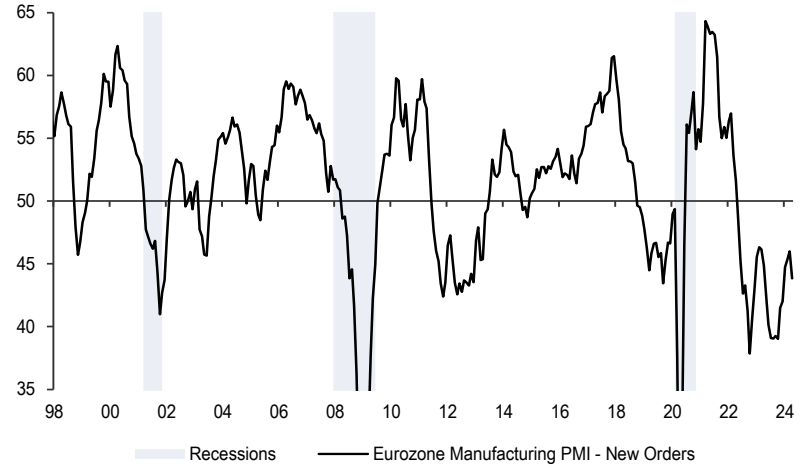
Global activity momentum has stabilized, but will this last?...

DM composite PMI since Jan '23



Source: J.P. Morgan

Eurozone manufacturing PMI - new orders



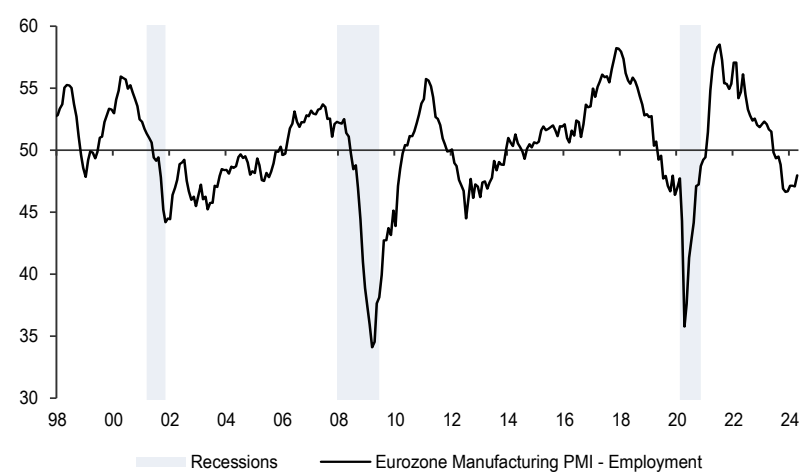
Source: J.P. Morgan

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	Apr-24
Global																
Composite	49.7	52.1	53.3	54.1	54.3	52.6	51.6	50.6	50.5	50.0	50.5	51.0	51.8	52.1	52.3	52.4
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	50.6	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	52.4	52.7
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	52.1	51.3
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	51.9	50.0
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	51.3
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	50.3	51.7
Manufacturing	48.8	48.5	47.3	45.8	44.8	43.4	42.7	43.5	43.4	43.1	44.2	44.4	46.6	46.5	46.1	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	51.5	53.3
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	52.7	51.7
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	50.8	50.4
Services	54.0	55.6	56.9	55.1	53.8	52.8	51.5	50.5	50.9	50.1	49.3	49.3	50.1	51.0	52.4	50.3
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	52.8	54.1
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	50.3	49.1
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	53.1	55.0

Source: Bloomberg Finance L.P.

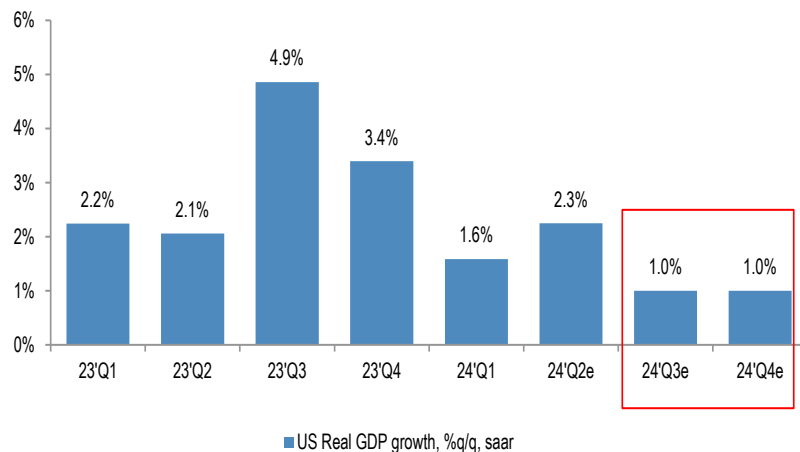
Eurozone Manufacturing PMI - Employment



Source: J.P. Morgan

...real GDP growth is projected by our economists to decelerate to 1% run rate in most DMs...

US Real GDP forecasts



Source: J.P. Morgan

Key Regions - JPM Real GDP growth projections

	Real GDP, %y/y		
	2023E	2024E	2025E
United States	2.5%	2.4%	1.7%
Eurozone	0.5%	0.8%	1.1%
United Kingdom	0.1%	0.9%	0.8%
China	5.2%	5.2%	4.0%
Global	2.7%	2.7%	2.4%

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%

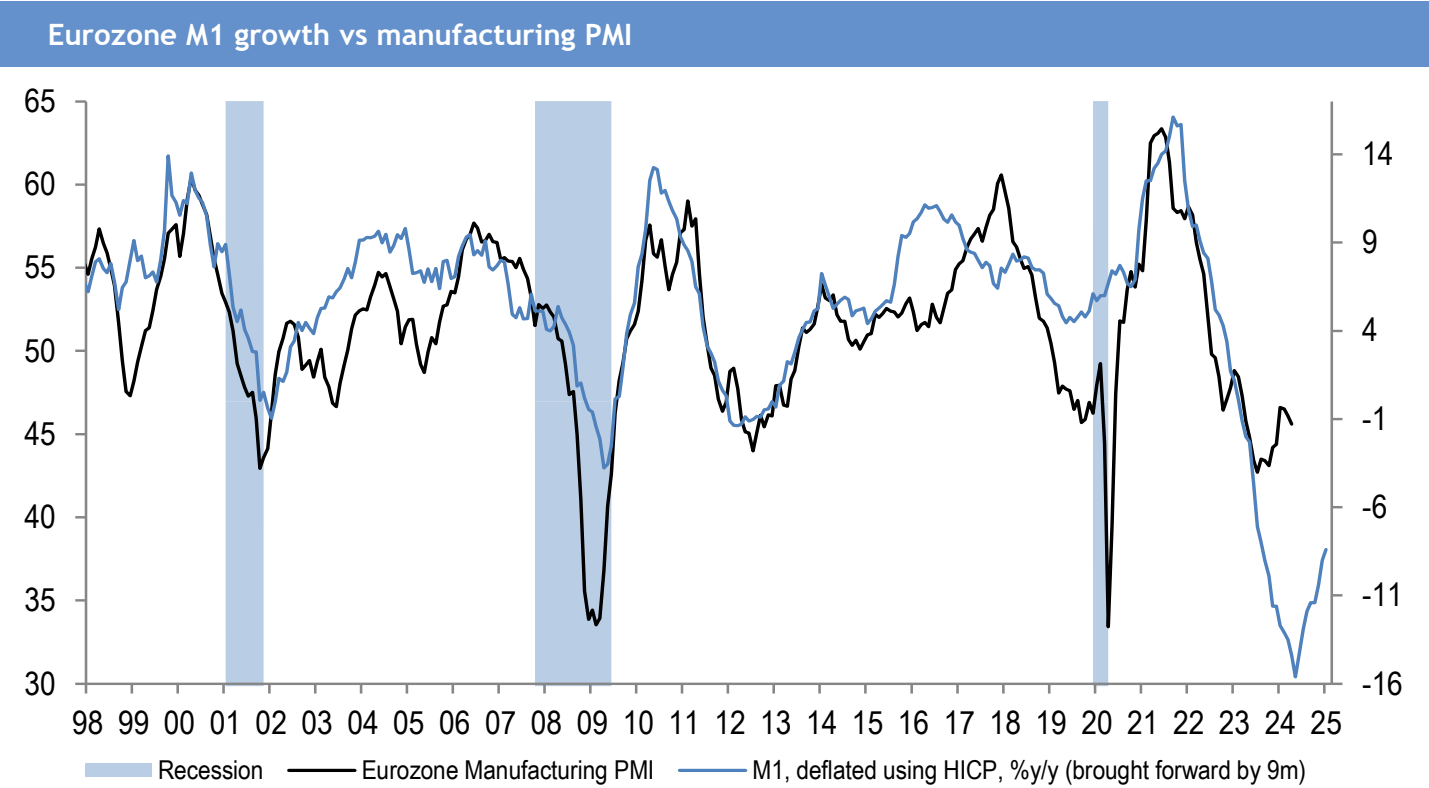
Source: J.P. Morgan, IBES

Key Regions - JPM quarterly GDP projections

	Real GDP, % over previous period, saar				
	4Q23	1Q24E	2Q24E	3Q24E	4Q24E
United States	3.4	1.6	2.2	1.0	1.0
Eurozone	-0.2	1.3	1.5	1.5	1.0
United Kingdom	-1.2	2.5	2.0	1.0	1.0
China	5.8	7.4	3.5	4.5	4.5
Global	2.6	3.2	2.4	2.2	2.2

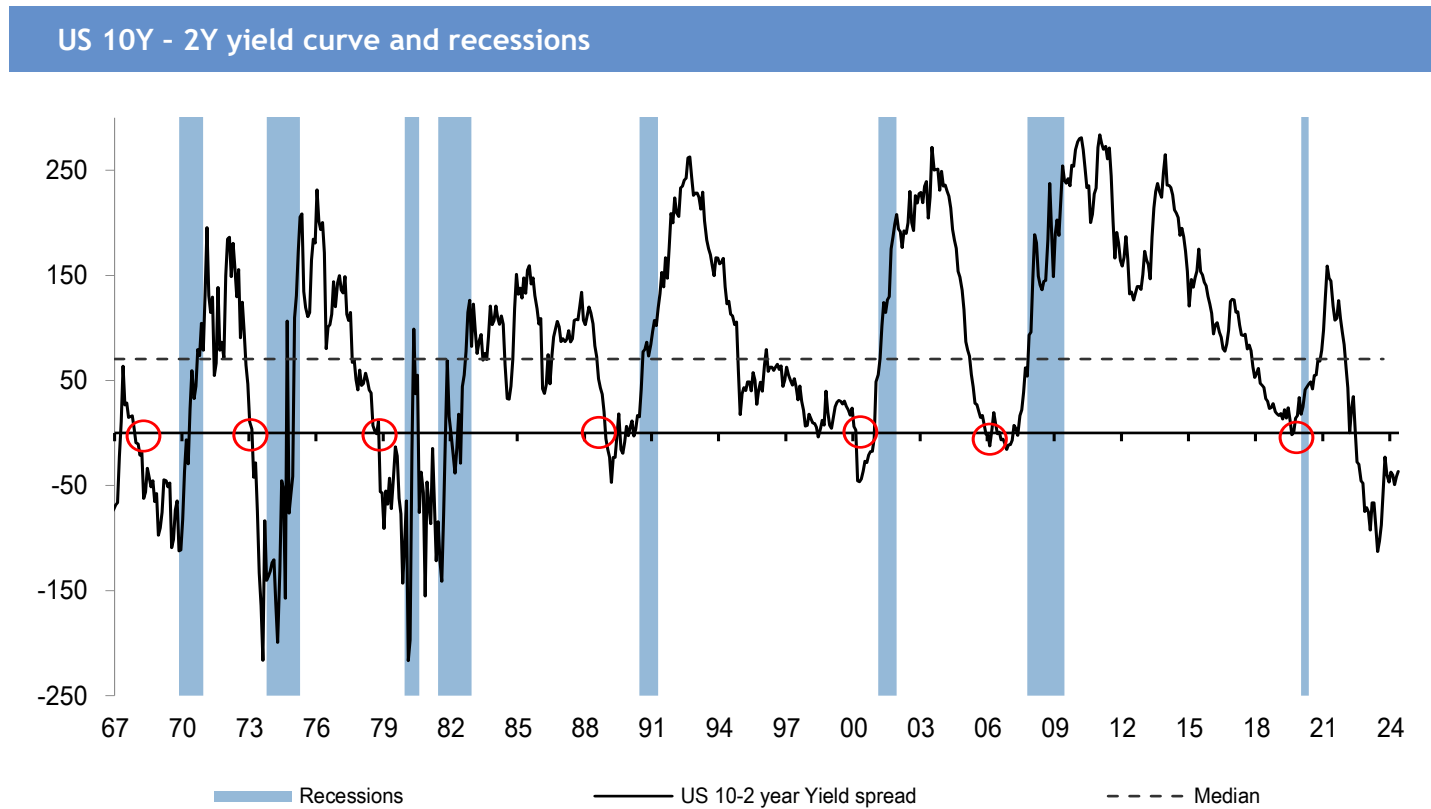
Source: J.P. Morgan

...M1 is bottoming, but it does not show upside for PMIs



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

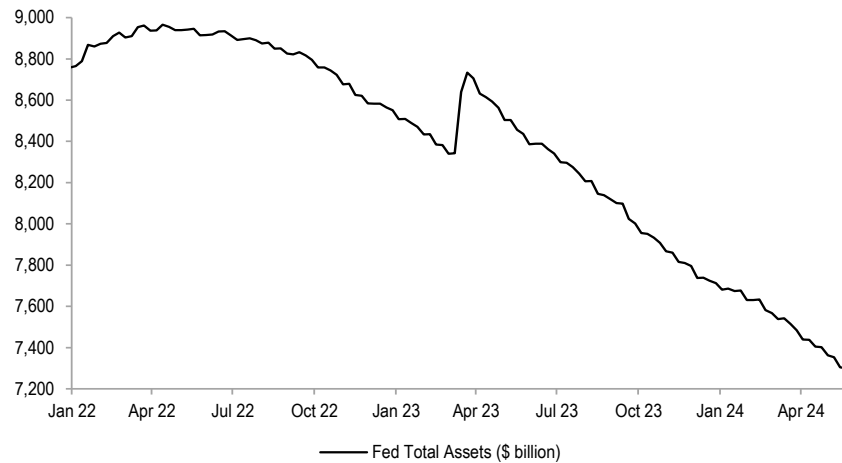
The consensus has fully embraced soft/no landing, but the yield curve was never wrong... the lead-lag was 6-24 months... it inverted in October '22



Source: Datastream

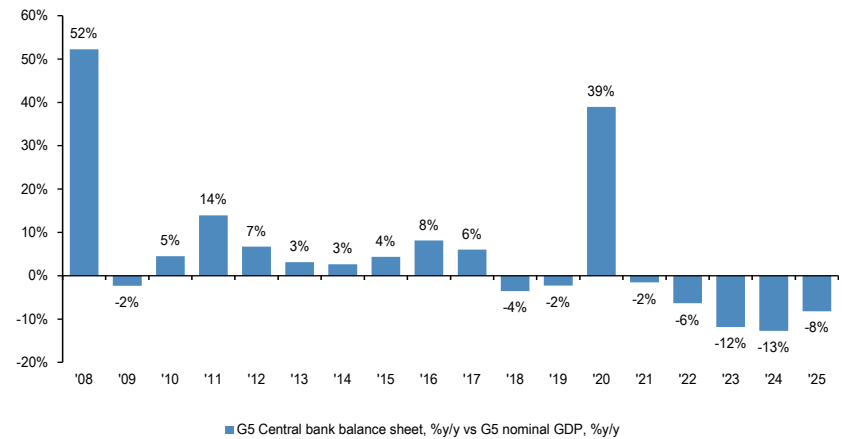
The big picture is one of a withdrawal of excess liquidity

Fed total assets - since Jan '22



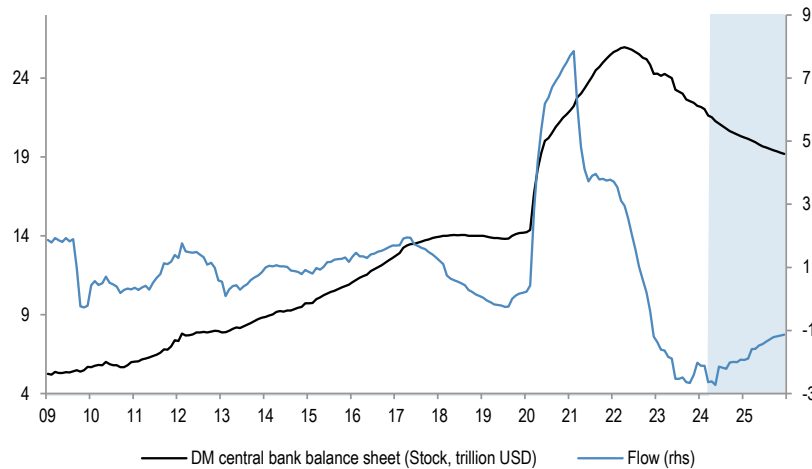
Source: Bloomberg Finance L.P.

G5 central banks balance sheet vs nominal GDP growth



Source: J.P. Morgan

DM central bank balance sheet



Source: J.P. Morgan

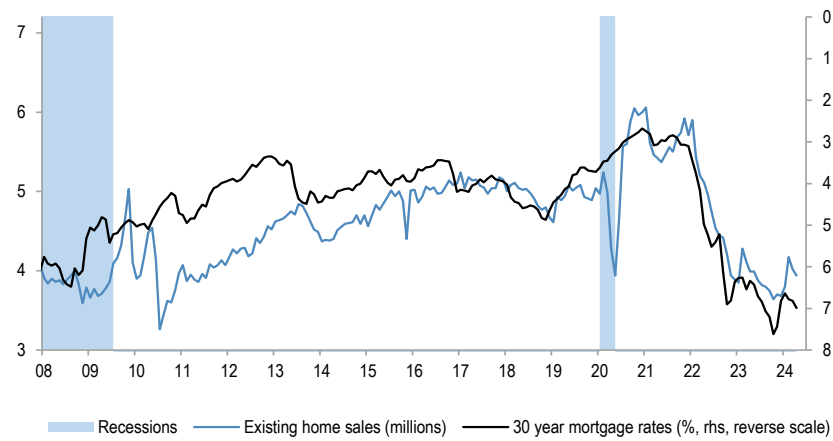
DM Central bank balance sheet (\$bn)

	2018	2019	2020	2021	2022	2023	2024
Fed	-385	115	3161	1431	-258	-826	-674
ECB	248	-33	2513	1722	-649	-1138	-778
BoJ	206	141	872	143	-133	310	-119
BoE	35	-12	401	283	-28	-195	-193
BoC	-1	4	337	-37	-88	-66	-43
RBA	-16	-5	119	210	-25	-68	-89
RBNZ	0	-4	35	9	4	-7	-6
Total	87	207	7438	3760	-1178	-1991	-1903

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

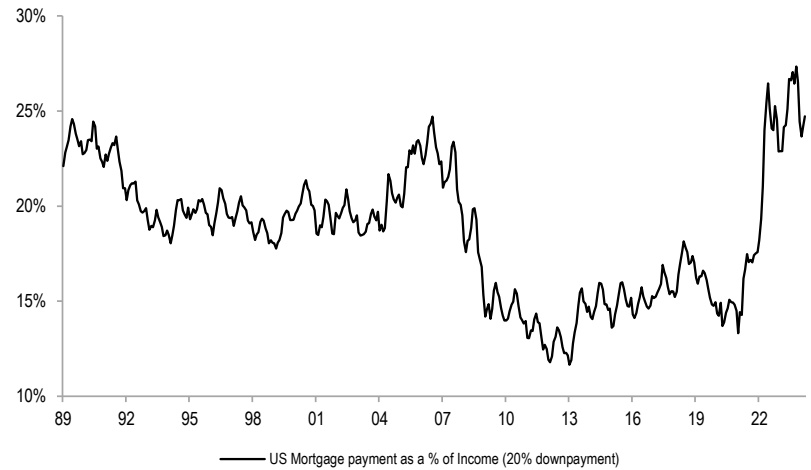
Consumers have been resilient so far, will that continue?

US existing home sales and mortgage rates



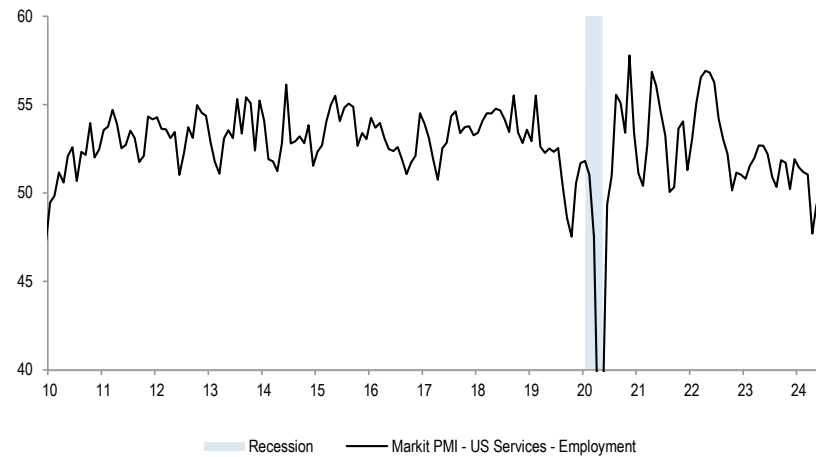
Source: Bloomberg Finance L.P.

US homebuyer affordability - % of spending on mortgage payments



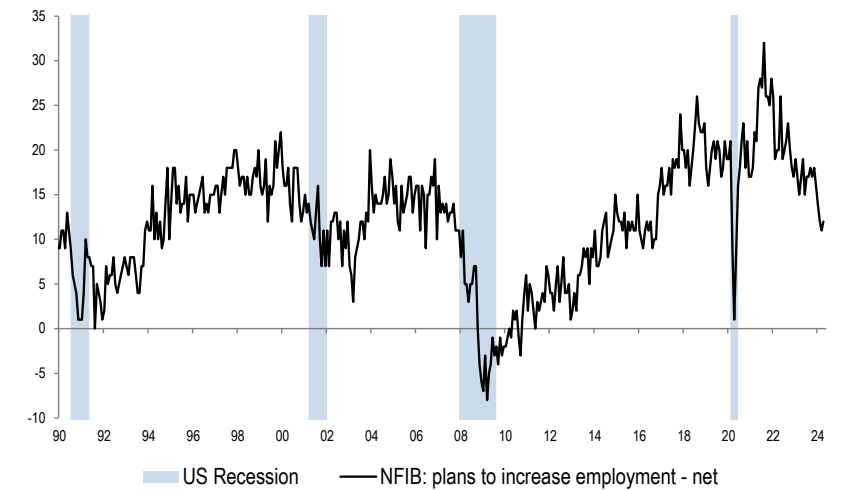
Source: Bloomberg Finance L.P., IBES

US Services PMI - Employment



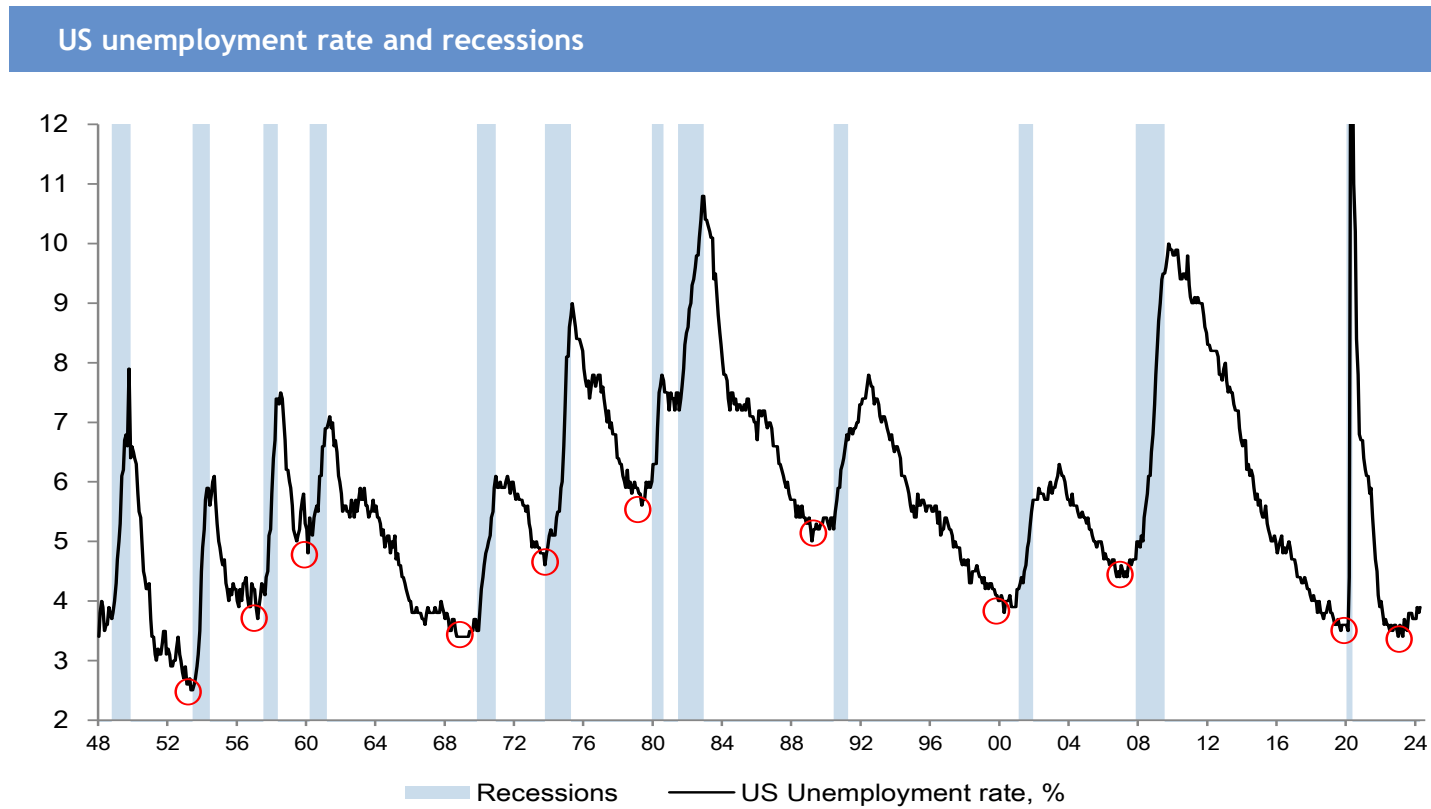
Source: J.P. Morgan US Equity Strategy

NFIB - plans to increase employment



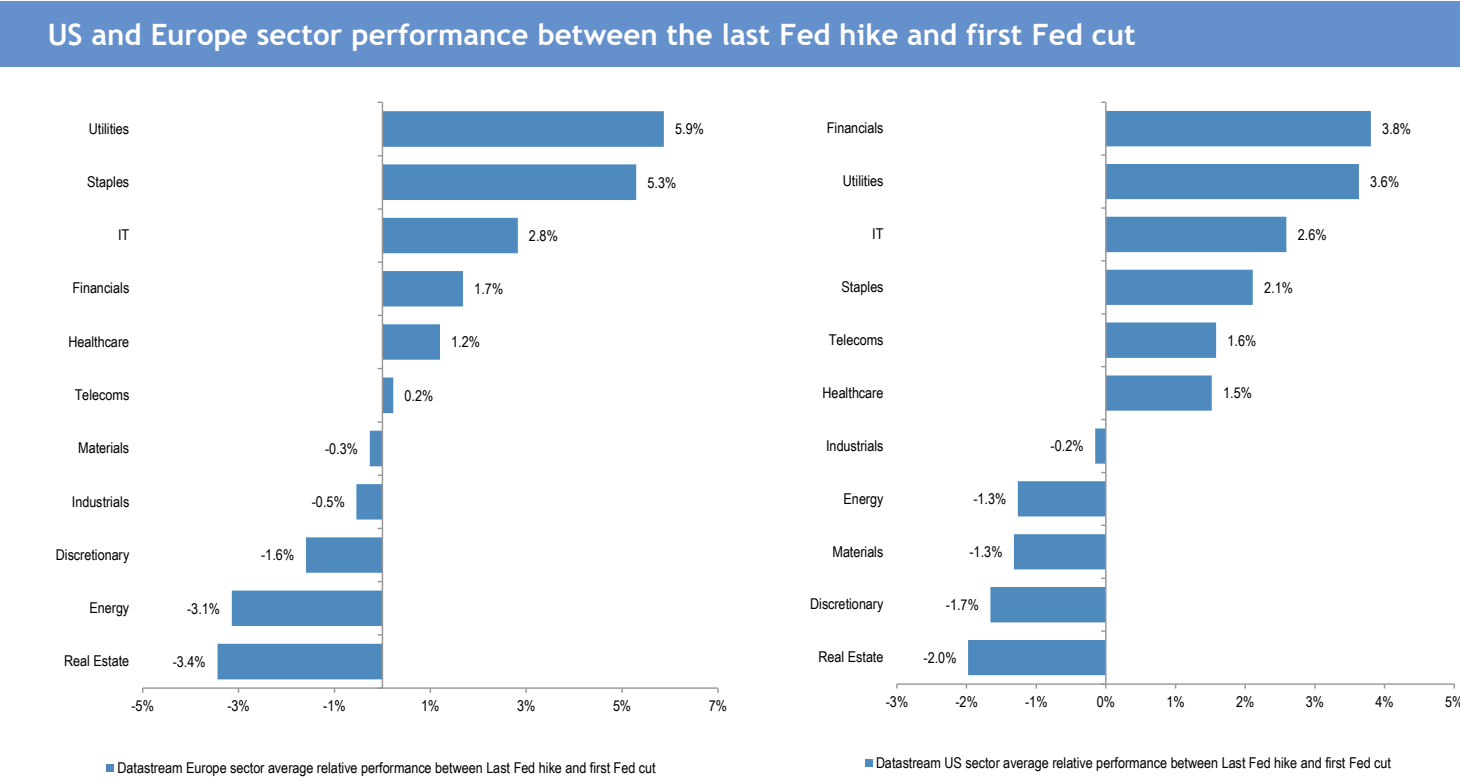
Source: NFIB

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.

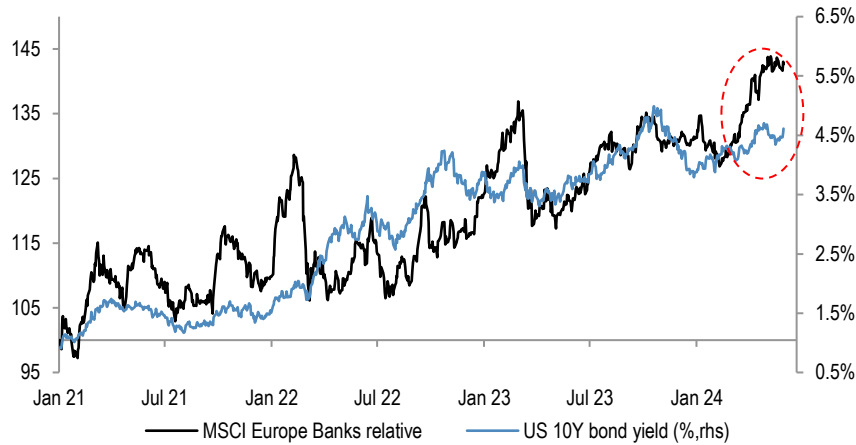
Trading between the final Fed hike and the first cut in the cycle – US and European sectors



Source: Datastream

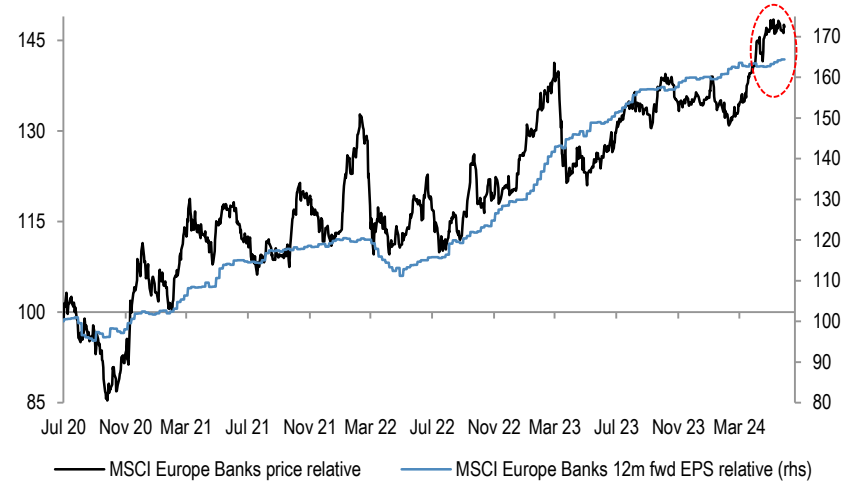
Banks could benefit from higher for longer rates, but their ytd rally has decoupled from earnings revisions and from bond yields

European Banks relative and US 10Y bond yield



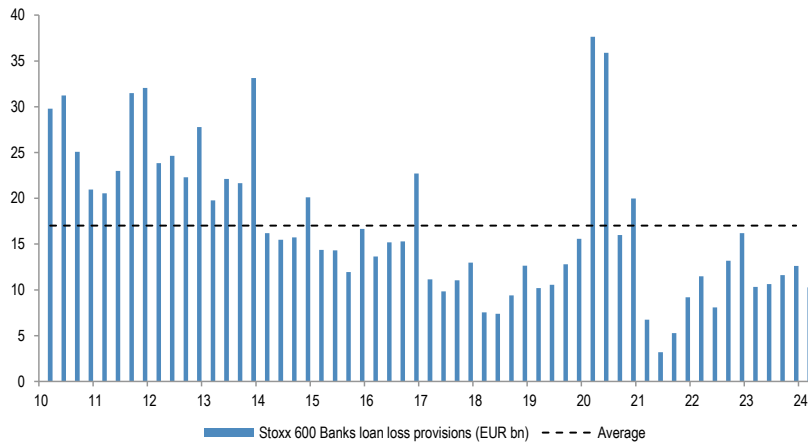
Source: Datastream, Bloomberg Finance L.P.

MSCI Europe Banks relative and EPS relative



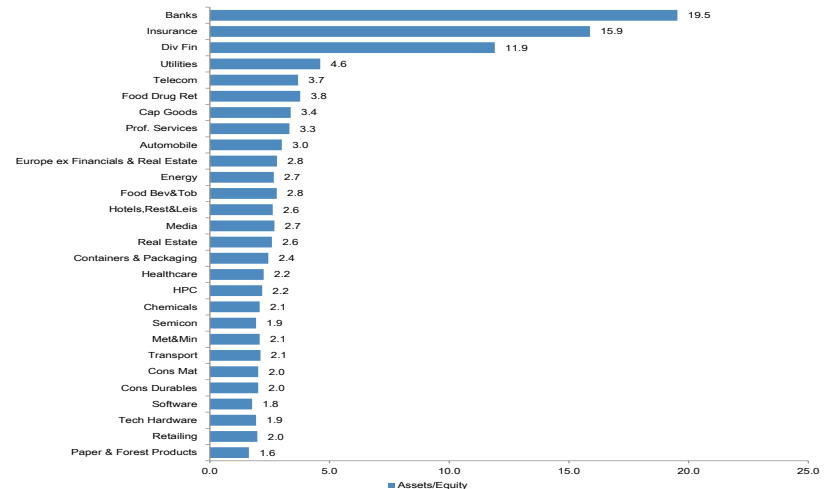
Source: Bloomberg Finance L.P., IBES

Stoxx600 Banks loan loss provisions



Source: Bloomberg Finance L.P.

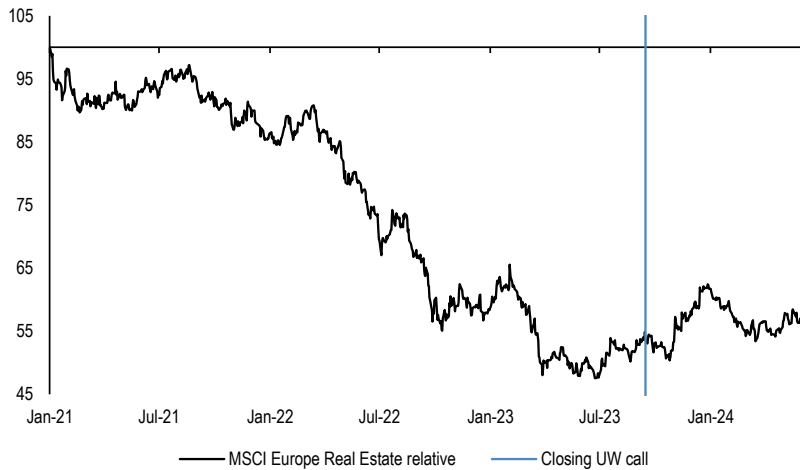
MSCI Europe sectors Asset to Equity



Source: Bloomberg Finance L.P.

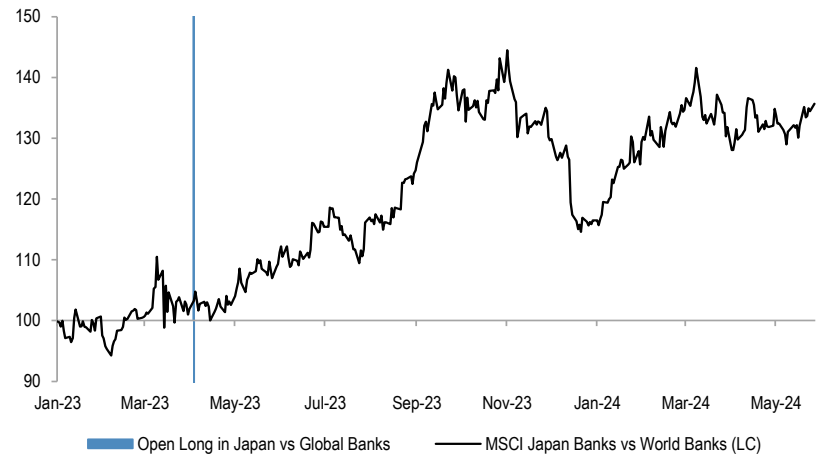
Stay OW Japanese vs Eurozone Banks; Defensives to have a catch-up trade on attractive valuations

European Real Estate price relative



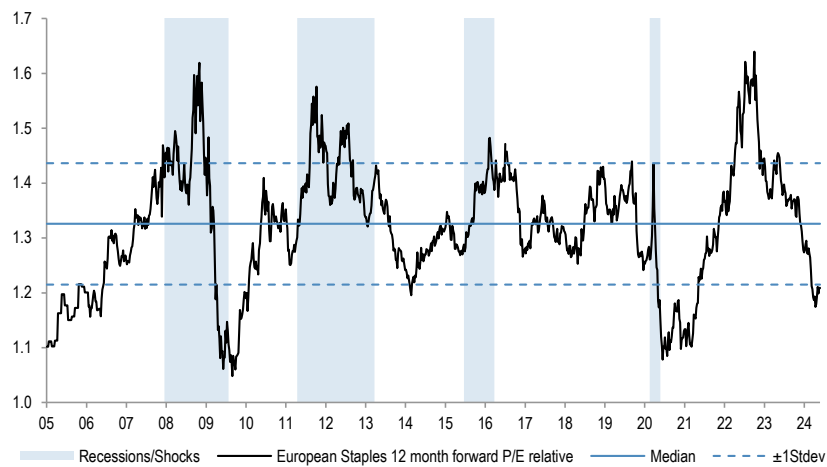
Source: Datastream

MSCI Japan Banks relative to Global Banks



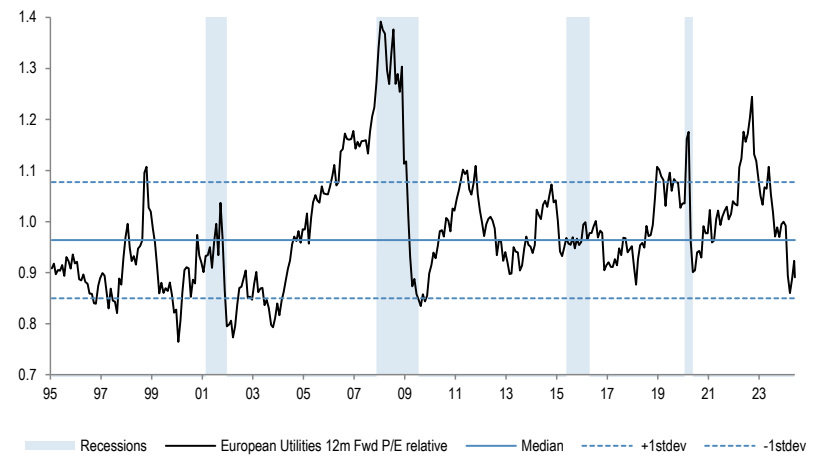
Source: Datastream

European Staples 12m Fwd. P/E relative



Source: IBES

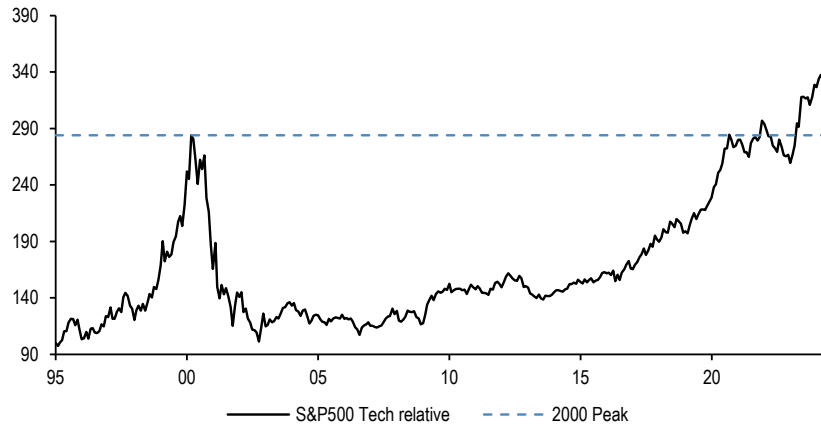
European Utilities 12m Fwd. P/E relative



Source: IBES

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



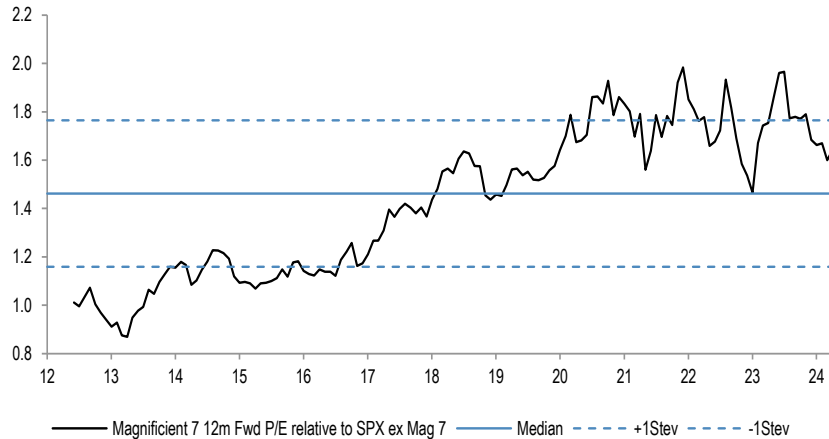
Source: Datastream

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



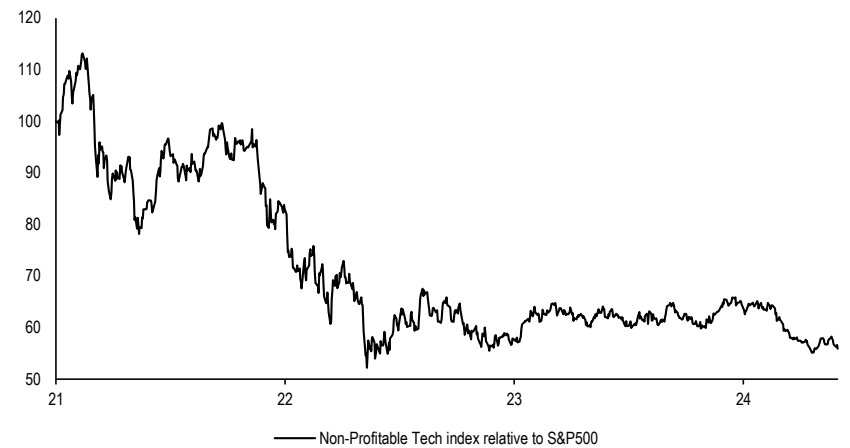
Source: IBES

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



Source: IBES

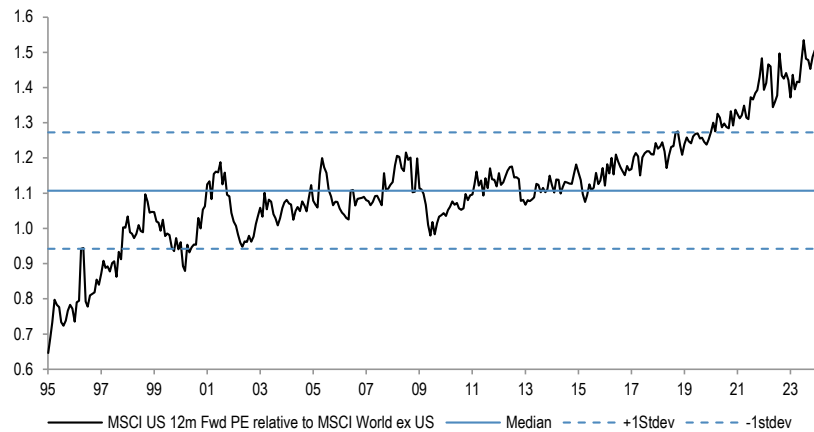
Non-profitable Tech relative



Source: Bloomberg Finance L.P.

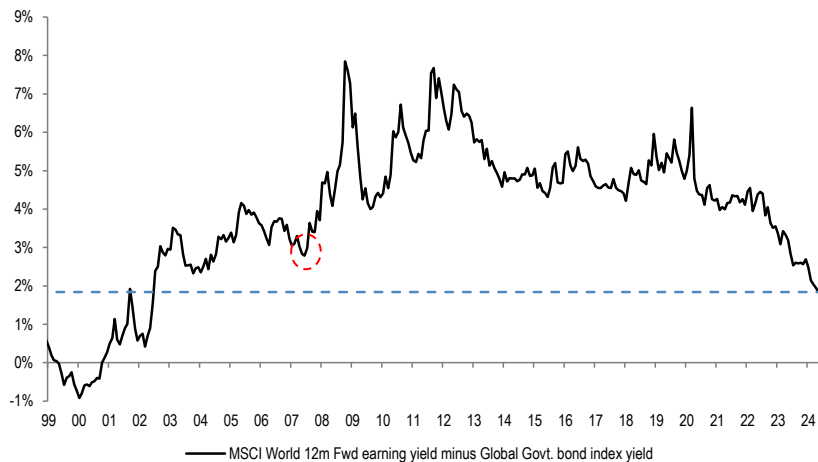
US equity market valuations look unattractive... Eurozone is trading near fair value vs fixed income, Japan screens the cheapest...

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
US	20.8	15.6	34%	10%
World	18.2	13.7	33%	9%
Eurozone	13.1	9.9	31%	20%
UK	11.4	8.7	31%	-10%
Europe	13.6	10.3	31%	12%
Japan	15.4	11.8	30%	14%
EM	12.2	10.1	20%	3%
China	10.0	9.1	10%	1%

Source: IBES

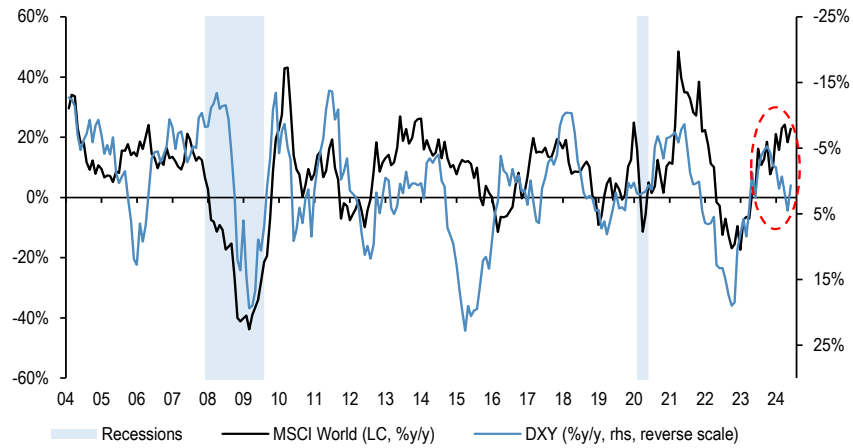
DM Yield Gap in a historical context

	Dividend yield	10Y Bond yield	Dividend yield minus bond yield	Average since '00	Current vs Average (bp)
US	1.3%	4.6%	-3.2%	-1.4%	-182
Japan	1.9%	1.1%	0.9%	0.9%	-6
Eurozone	3.1%	2.9%	0.1%	0.4%	-28
UK	3.7%	4.3%	-0.7%	0.6%	-122

*Current as of 28th May'24

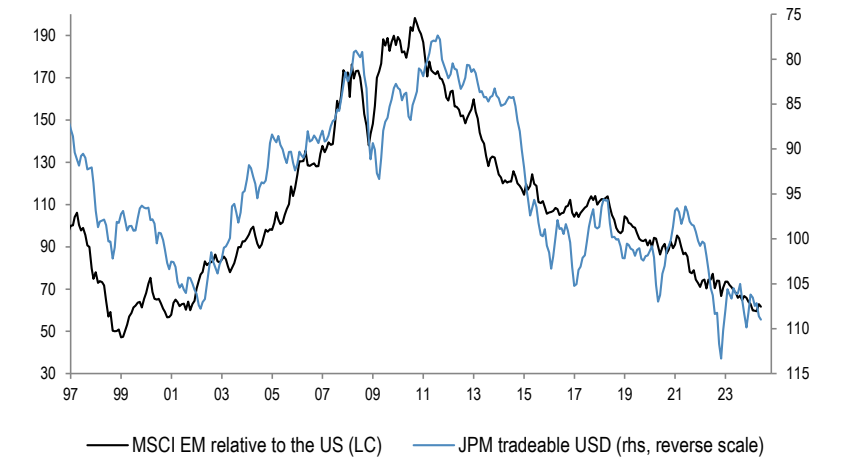
...any renewed strengthening in USD could be a problem for risky assets

MSCI World performance and DXY



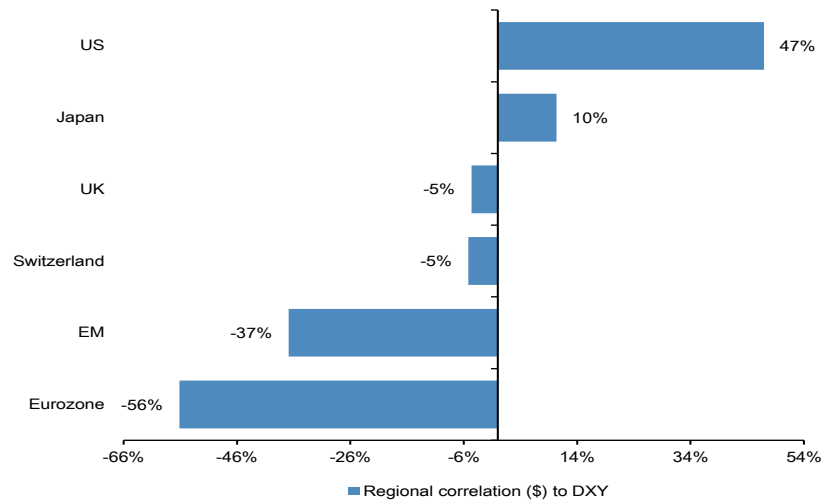
Source: Datastream

MSCI EM vs DM and USD



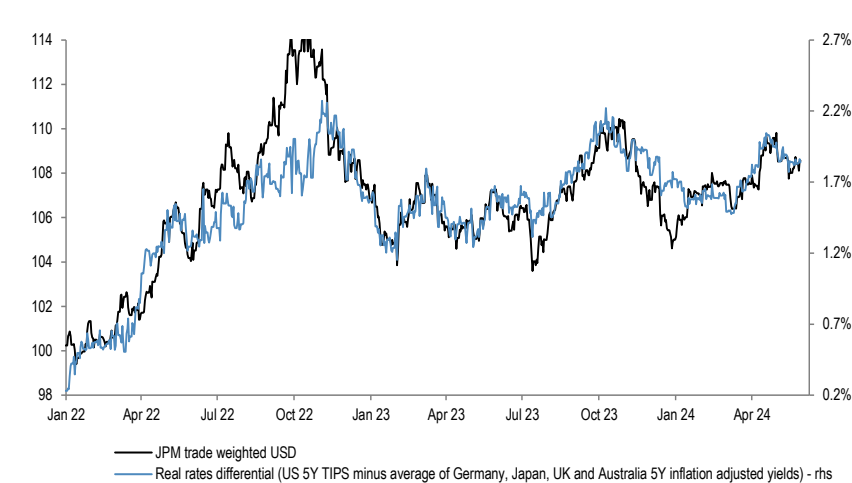
Source: Bloomberg Finance L.P.

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

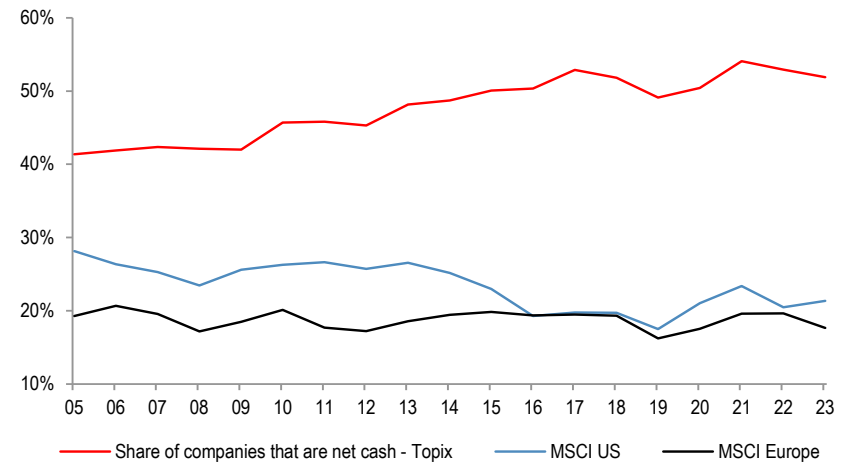
We have upgraded Japan to OW in December '22... we stay OW for 2024

MSCI Japan price relative (lc)



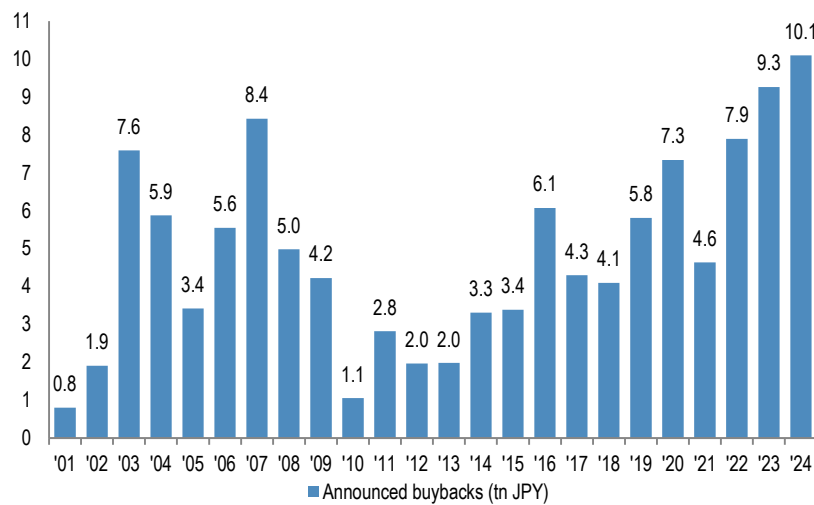
Source: Datastream

% of net cash companies in the index



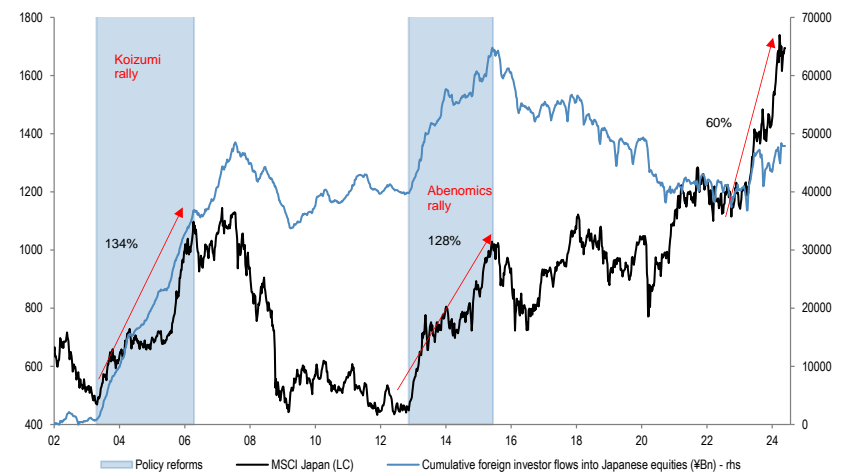
Source: Bloomberg Finance L.P.

Announced buybacks - TOPIX universe



Source: Bloomberg Finance L.P. refers to FY

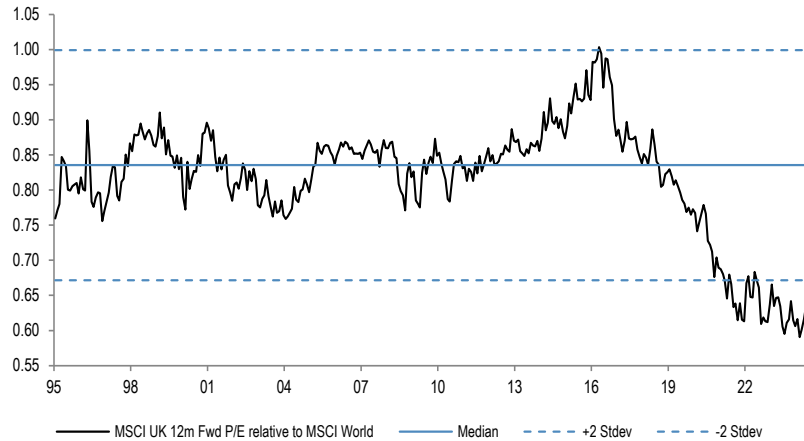
MSCI Japan price relative during Koizumi and Abenomics rally



Source: Datastream, Bloomberg Finance L.P.

OW UK... we are reversing our long held OW FTSE100 vs FTSE250 call

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



Source: IBES

FTSE100 vs FTSE250



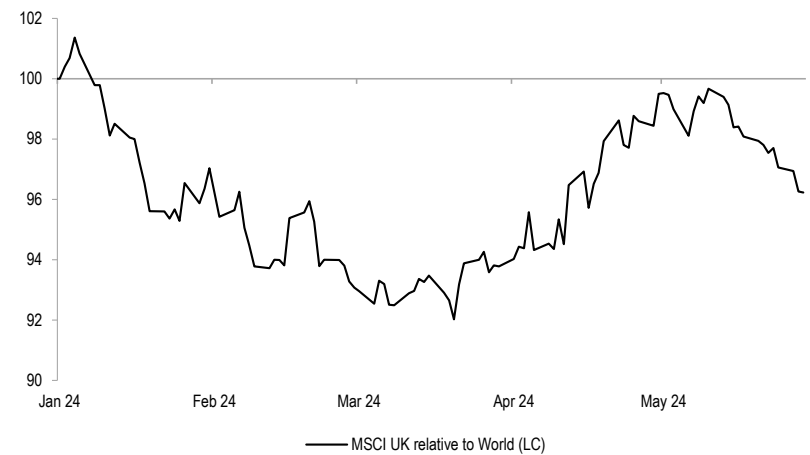
Source: Datastream

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



Source: IBES

MSCI UK relative



Source: Datastream

Fundamentally: 1) Growth momentum is projected to soften sequentially in the US...

- PMI momentum firmed up over the past months among 2023 laggards, with Europe and China bouncing. We expect US activity momentum, which was robust over the past quarters, to decelerate.

J.P. Morgan global composite PMI

JPM Global composite PMI summary									
	Aug'23	Sep'23	Oct'23	Nov'23	Dec'23	Jan'24	Feb'24	Mar'24	Apr'24
Global PMI	50.6	50.5	50.0	50.5	51.0	51.8	52.1	52.3	52.4
Output	50.6	50.5	50.0	50.5	51.0	51.8	52.1	52.3	52.4
Future output	62.4	62.2	61.4	61.3	62.6	63.7	63.0	63.8	62.8
New orders	50.0	49.5	49.3	50.1	50.9	51.4	51.6	52.1	51.7
Export orders	47.9	48.0	48.0	48.5	48.4	49.2	49.6	49.8	50.6
Employment	51.0	50.7	50.5	50.1	50.5	50.7	50.7	50.9	49.9
Output prices	53.4	53.6	53.0	53.5	53.5	52.6	53.5	53.8	53.2

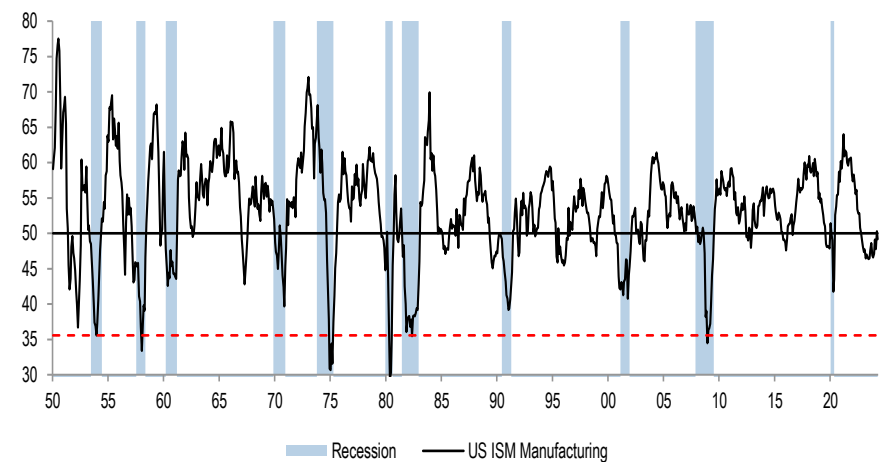
Source: J.P. Morgan, S&P Global

JPM GDP forecasts, by region

	Real GDP		
	% oya		
	2023E	2024E	2025E
United States	2.5	2.4	1.7
Eurozone	0.5	0.8	1.1
United Kingdom	0.1	0.9	0.8
Japan	1.9	-0.2	0.7
Emerging markets	4.2	4.2	3.6
Global	2.7	2.7	2.4

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

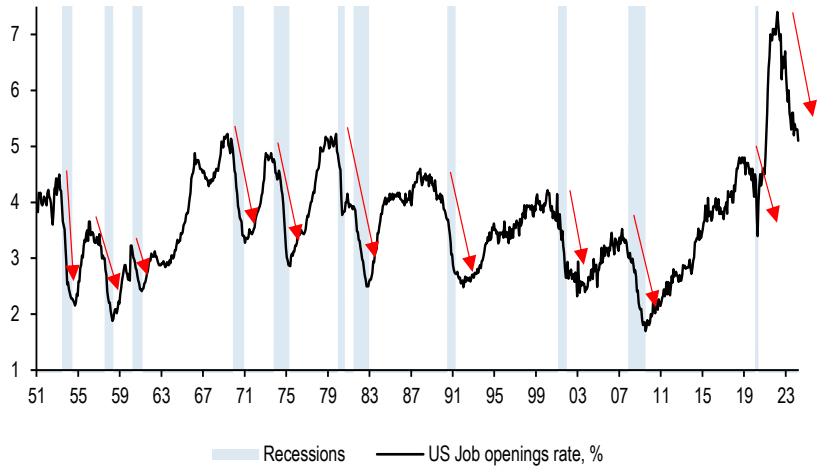
US ISM Manufacturing and past recessions



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

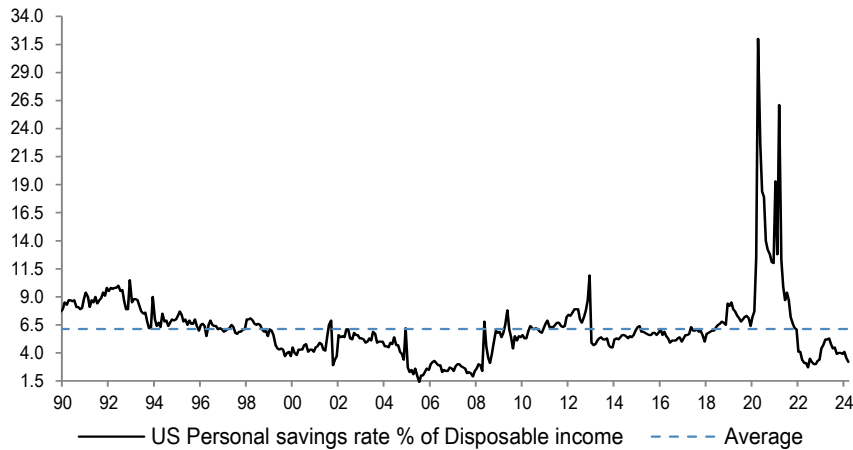
...consumer tailwinds could wane...

US job vacancies rate



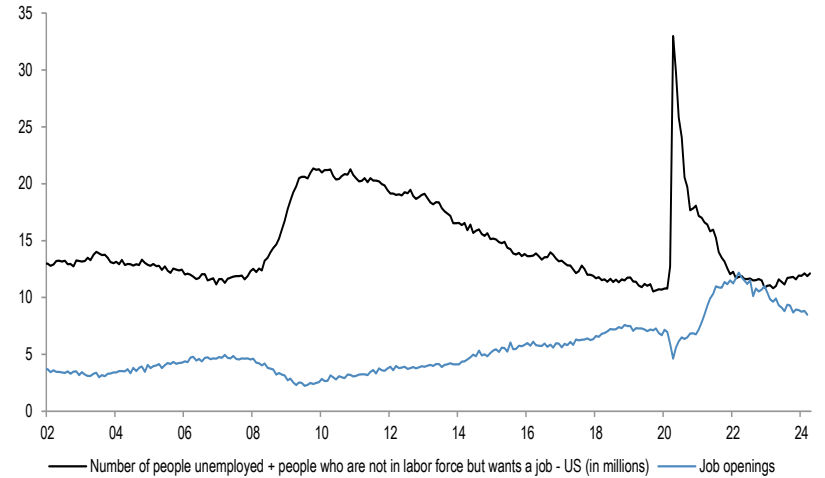
Source: Barnichon, SF Fed, J.P. Morgan

US savings rate



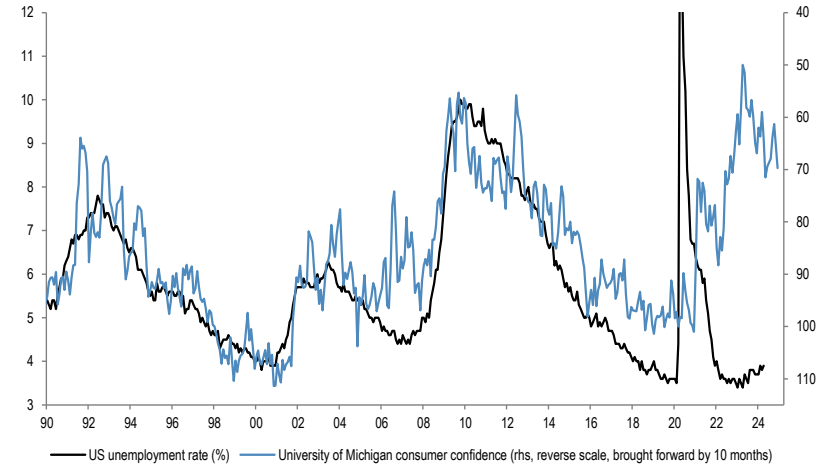
Source: Bloomberg Finance L.P.

US job openings and unemployed population



Source: J.P. Morgan

Consumer confidence vs unemployment rate

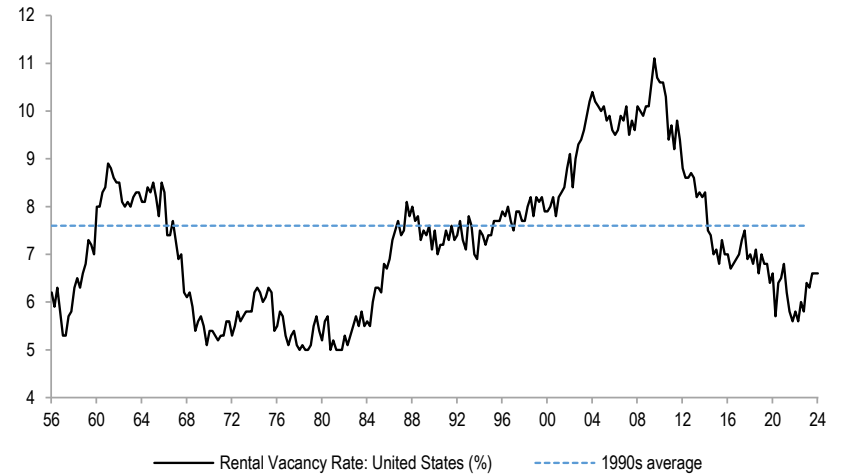


Source: J.P. Morgan

...house prices are likely to hold up, but affordability is worsening

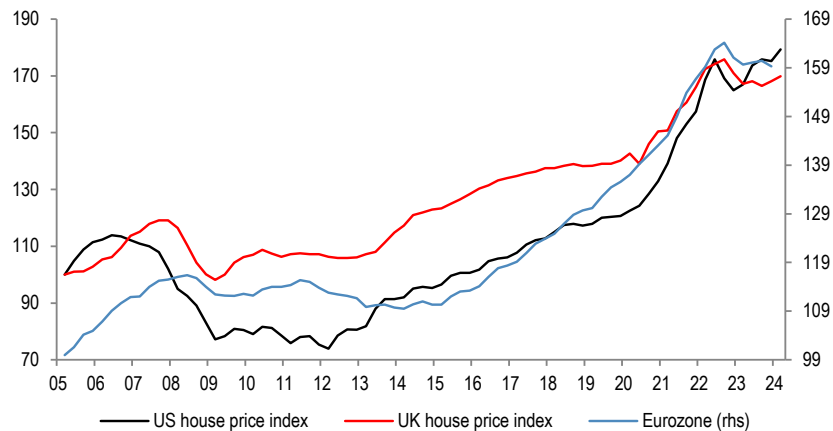
- House prices have been driven up due to strong demand and limited inventory.
- Vacancy rates for rentals are relatively low.
- Consumer balance sheets look healthy, but house prices affordability is weaker.

US rental vacancy rate



Source: BEA

US, UK and Eurozone house prices



Source: Bloomberg Finance L.P.

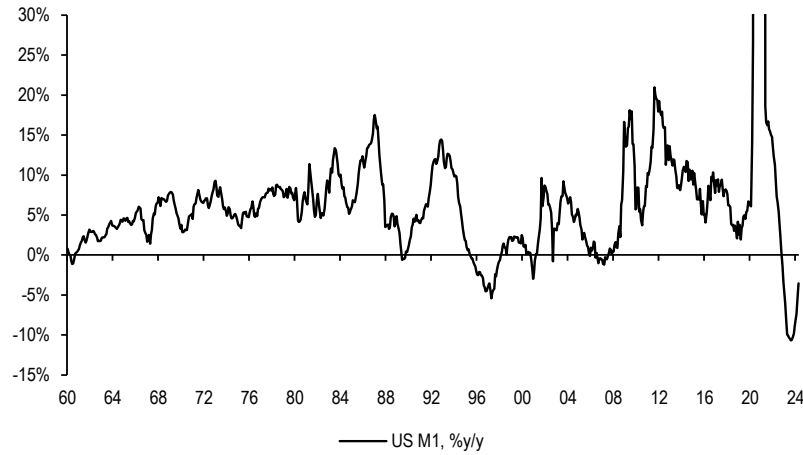
US household leverage (%)



Source: FRB

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

US M1, %y/y



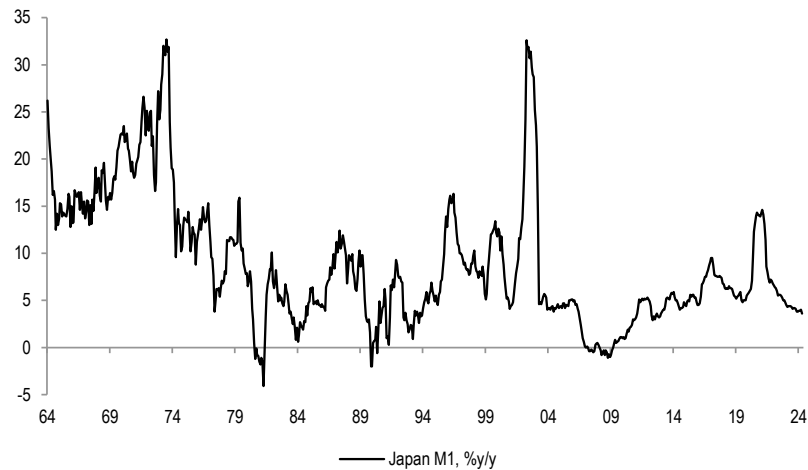
Source: Bloomberg Finance L.P.

Eurozone M1 growth (deflated by HICP) vs PMI



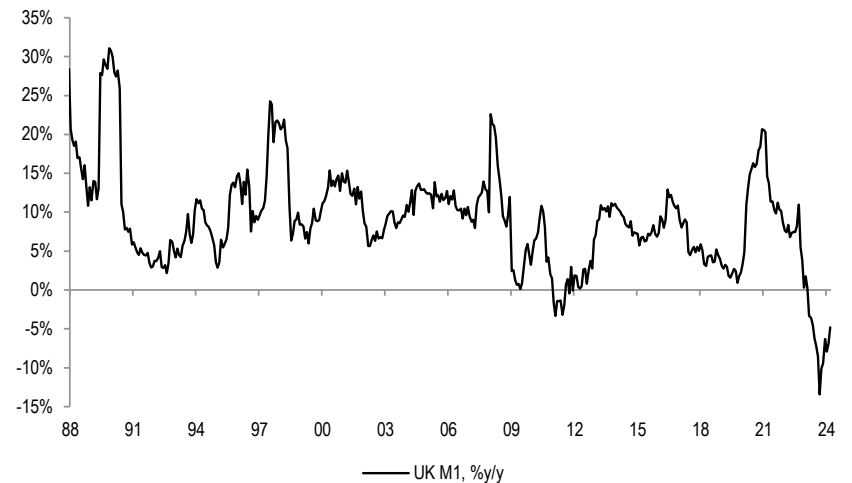
Source: Bloomberg Finance L.P., S&P Global

Japan M1, %y/y



Source: Bloomberg Finance L.P.

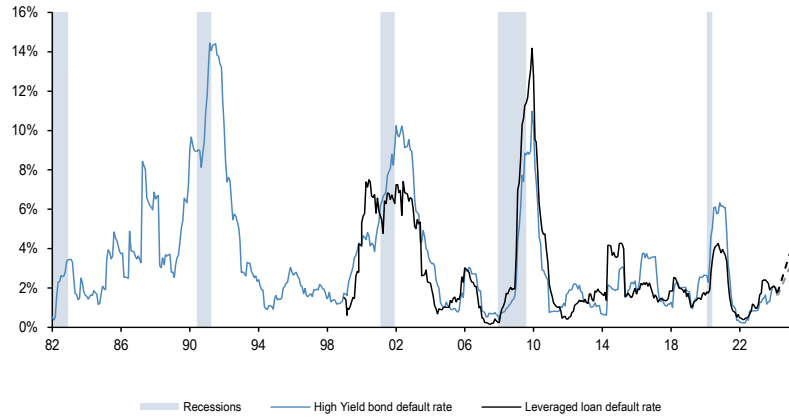
UK M1, %y/y



Source: Bloomberg Finance L.P.

Default rates are low, will that hold?

US HY and leveraged loan default rate



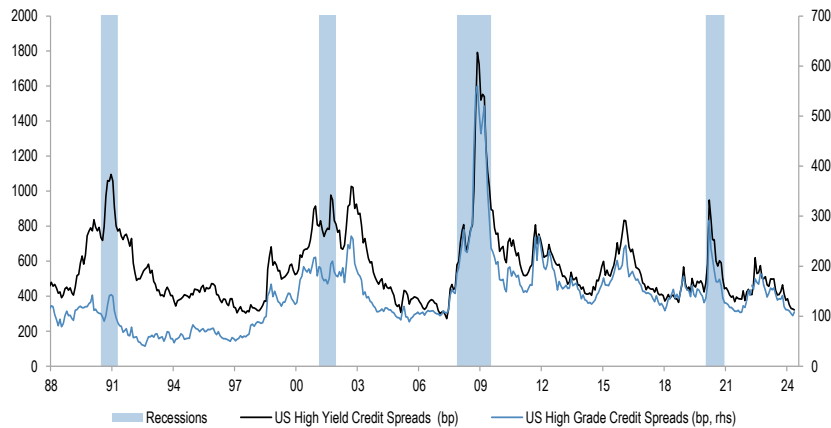
Source: J.P. Morgan

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

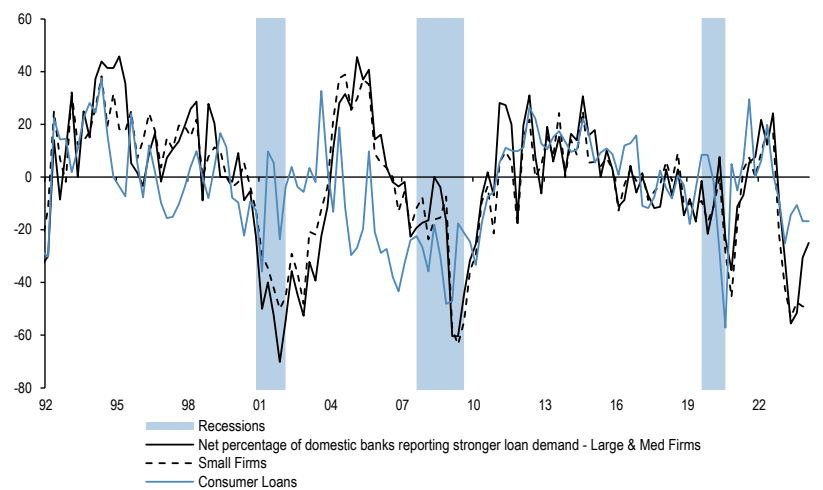
Source: J.P. Morgan, *move from trough to present

US HY and HG credit spreads



Source: J.P. Morgan, NBER

% of US banks reporting stronger loan demand

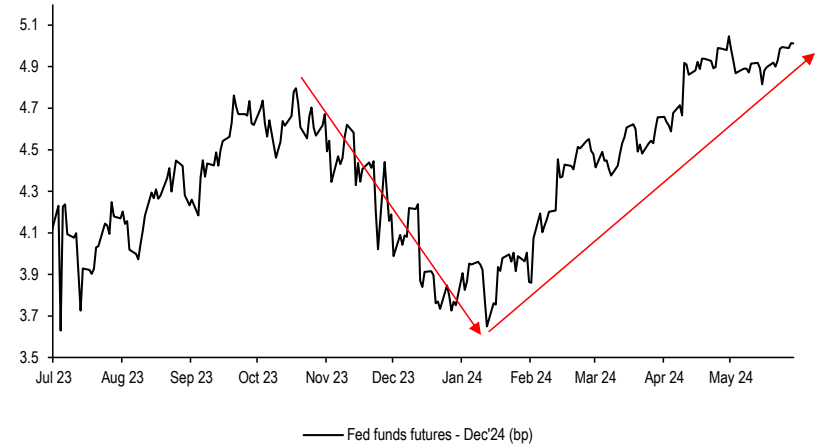


Source: FRB

2) Fed might end up not cutting in 2024...

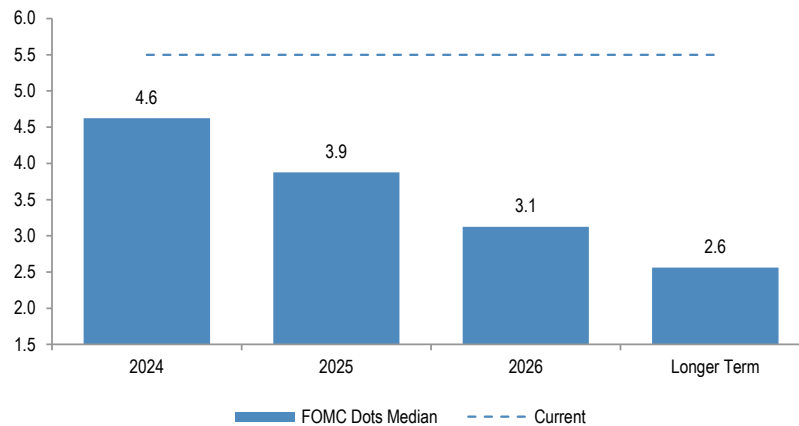
- The risk is that Fed stays “higher for longer”, until the market weakness forces them to reconsider, in our view.

Fed Funds Futures - Dec '24



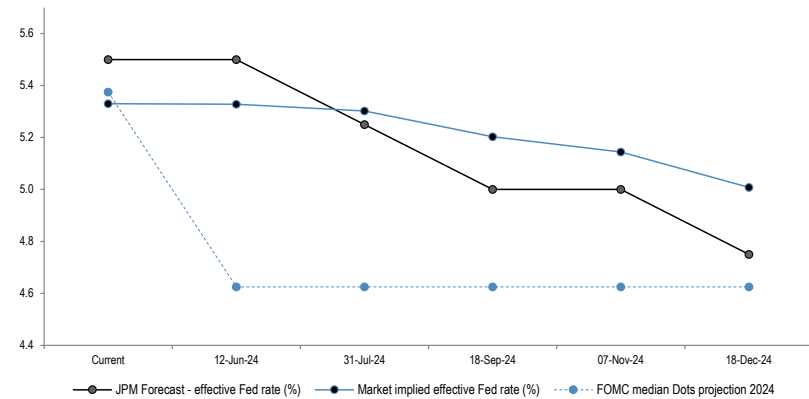
Source: Bloomberg Finance L.P.

FOMC Dots median



Source: Bloomberg Finance L.P.

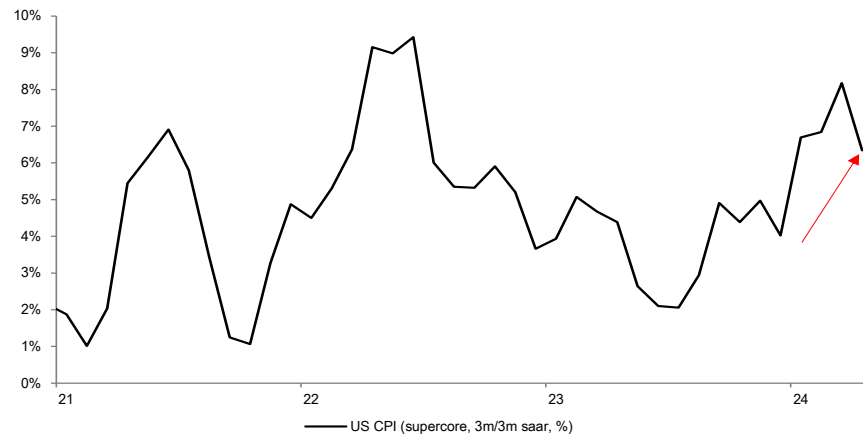
JPM expected and market implied Fed funds rate



Source: Bloomberg Finance L.P.

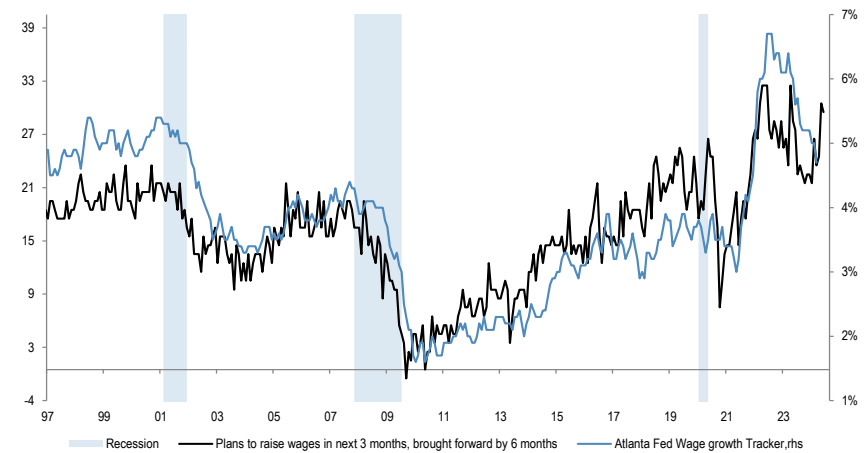
...big picture, JPM expects inflation to keep moving lower, but the near-term prints could stay sticky...

US Supercore Inflation



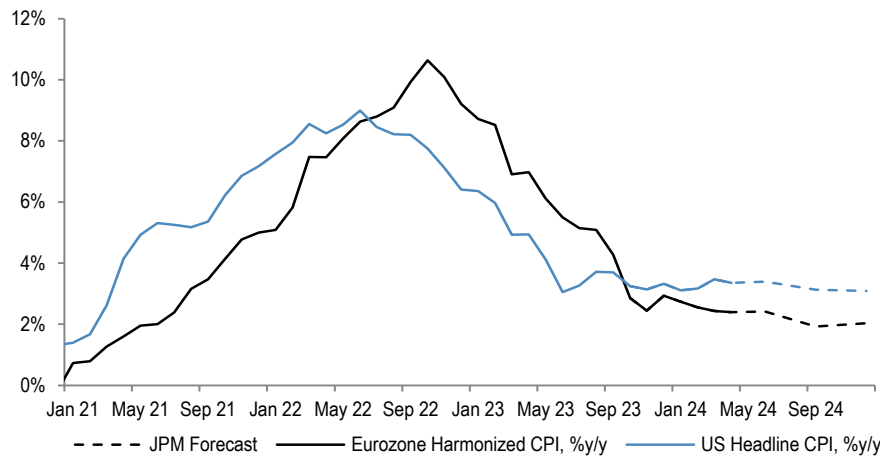
Source: Bloomberg Finance L.P.

NFIB survey – wage plans vs Atlanta Fed Wage tracker



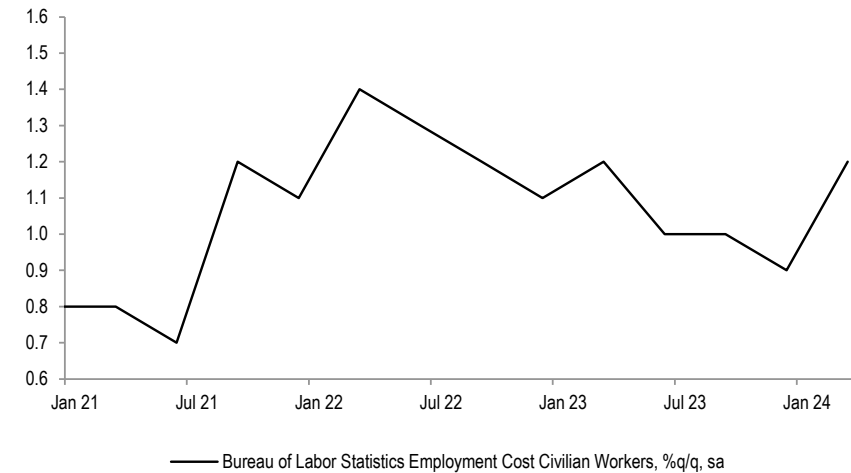
Source: Bloomberg Finance L.P.

JPM inflation projections



Source: J.P. Morgan

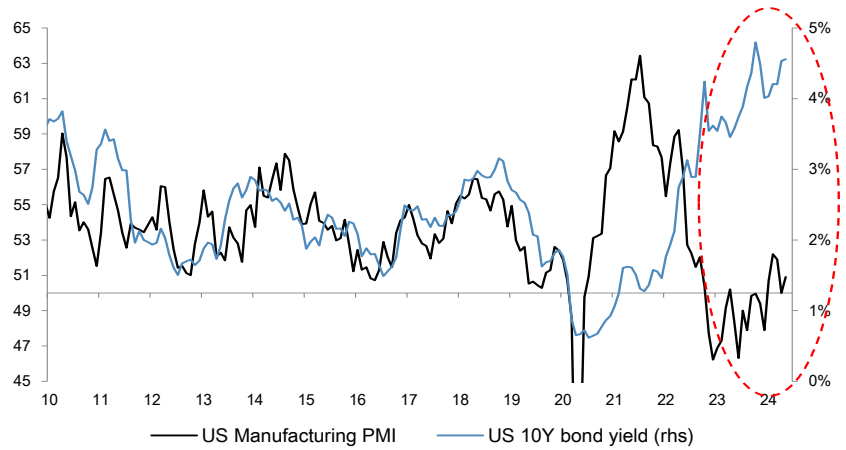
US ECI



Source: Bloomberg Finance L.P.

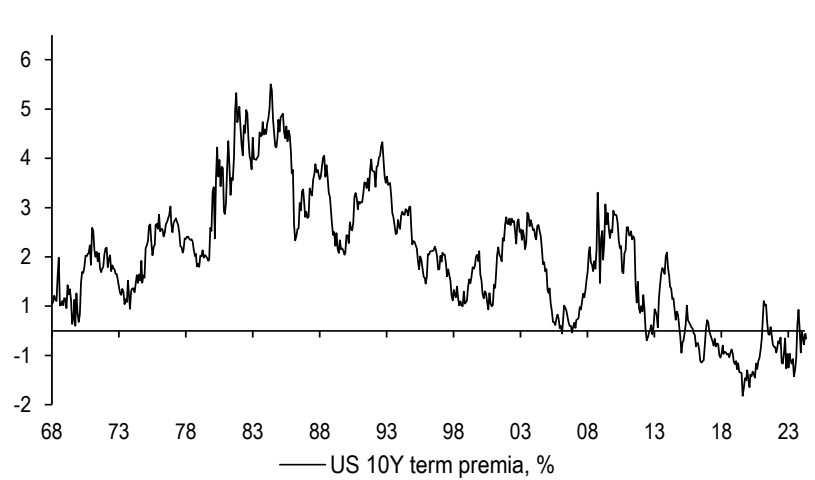
...term premia for bonds has gone negative again, deficits are high

US manufacturing PMI and US 10Y bond yield



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

US 10-year term-premia



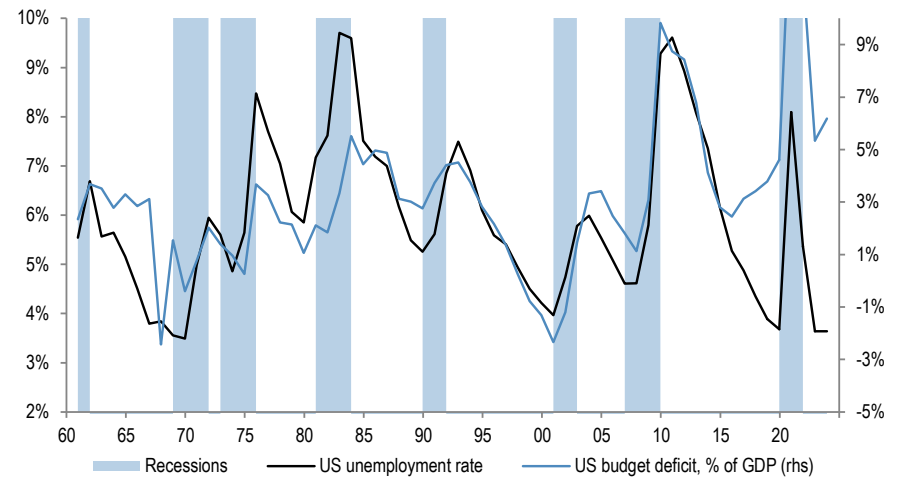
Source: J.P. Morgan

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
Feb' 22 - Jul' 23	-146	210	356

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

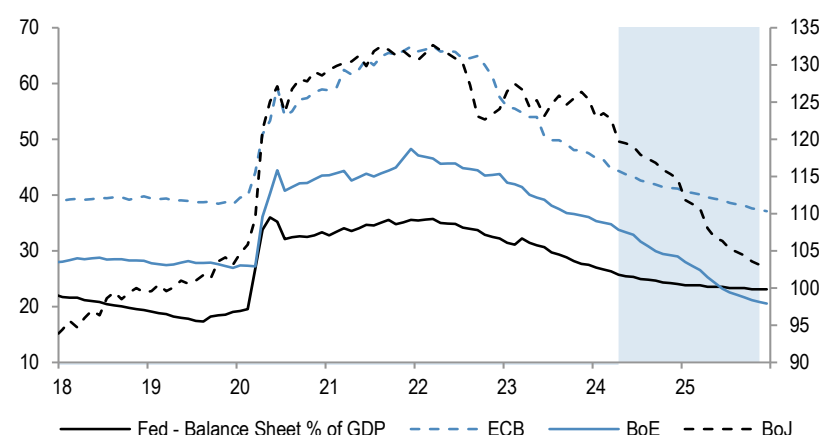
- The aggregate central banks balance sheet is set to contract, in an accelerating manner.

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

	2018	2019	2020	2021	2022	2023	2024
Fed	-385	115	3161	1431	-258	-826	-674
ECB	248	-33	2513	1722	-649	-1138	-778
BoJ	206	141	872	143	-133	310	-119
BoE	35	-12	401	283	-28	-195	-193
Total	103	212	6947	3579	-1069	-1849	-1764

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	7.0	7.0	-10%	-9%	0%
ECB	8.7	7.6	6.7	6.2	-13%	-12%	-7%
BoE	1.4	1.2	1.0	0.8	-10%	-15%	-27%
BoJ	5.2	5.2	4.7	4.4	0%	-11%	-6%
PBOC	6.0	6.4	6.4	6.4	7%	0%	0%
G3 Aggregate CB Balance Sheet	22.5	20.5	18.4	17.6	-9%	-11%	-4%
G5 Aggregate CB Balance Sheet	29.9	28.2	25.8	24.8	-6%	-8%	-4%
G3 Nominal GDP Growth					7%	4%	4%
G5 Nominal GDP Growth					6%	4%	4%
G3 Aggregate CB Balance Sheet vs Nominal GDP Growth					-16%	-14%	-8%
G5 Aggregate CB Balance Sheet vs Nominal GDP Growth					-12%	-13%	-8%

Source: J.P. Morgan Economics Research

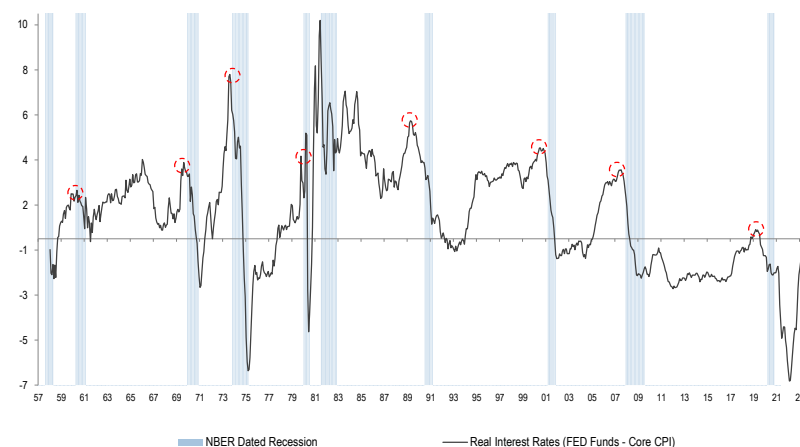
Real rates are near highs, and could stay so

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	1.7%	1.5%

Source: Bloomberg Finance L.P.

US real rates at the point of curve inversion

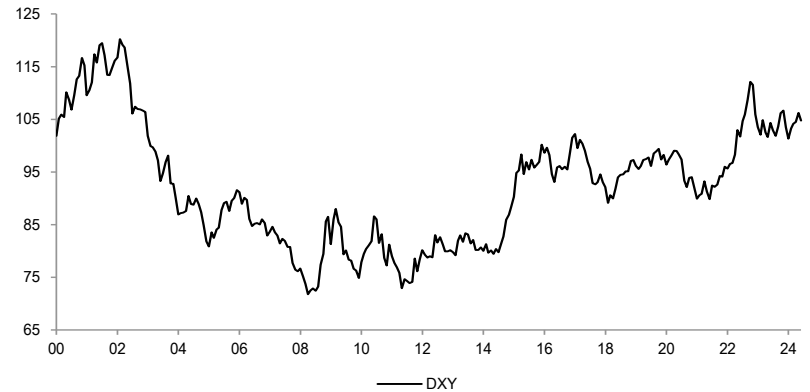
Yield Curve inversion date	Real Interest Rate (Fed Funds - Core CPI, %yoy)	
	Latest reading	6m Avg
Dec-67	0.6%	0.5%
Mar-73	3.8%	2.9%
Aug-78	0.4%	0.5%
Dec-88	4.0%	3.7%
Feb-00	3.5%	3.3%
Jan-06	2.2%	1.8%
Aug-19	0.2%	0.2%
Average	2.1%	1.9%
Median	2.2%	1.8%

Source: Bloomberg Finance L.P.

USD could strengthen again

- USD is supported by the still elevated interest rate differential.
- USD positioning has increased, but it is still not stretched.

DXY



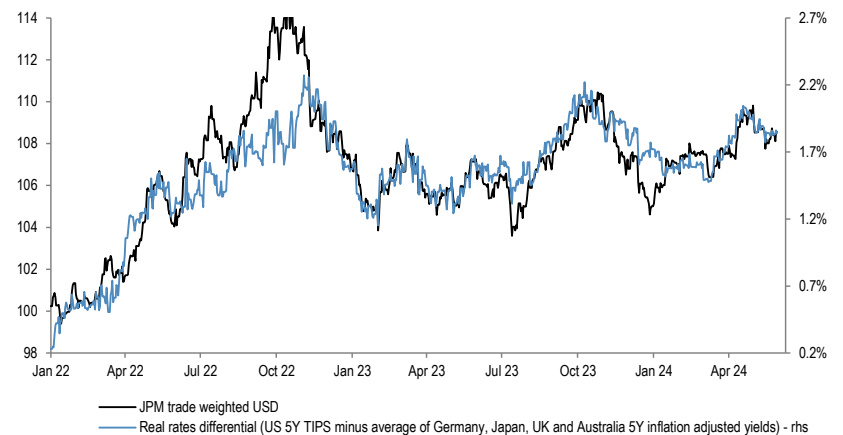
Source: Bloomberg Finance L.P.

USD net positioning



Source: J.P. Morgan

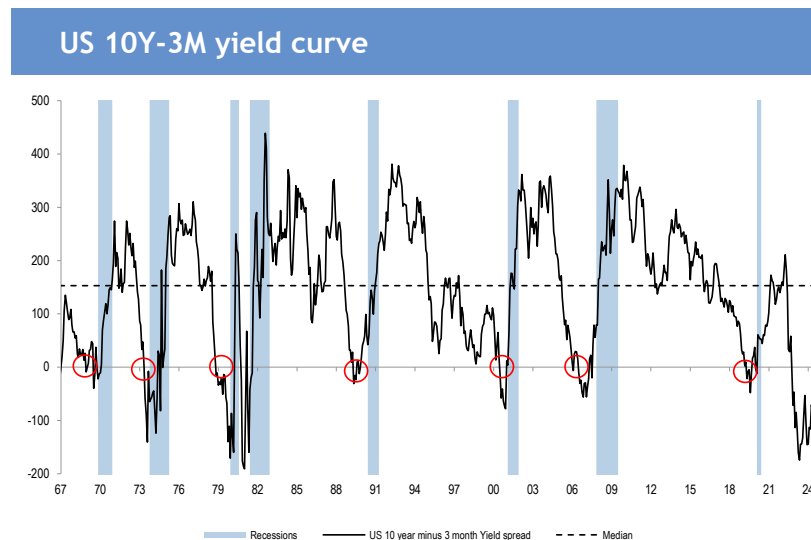
USD and real rates differential



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

Yield curve framework is still sending a recession signal, it was never wrong, lead-lag was 6-24 months... we are now at 21

- 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.

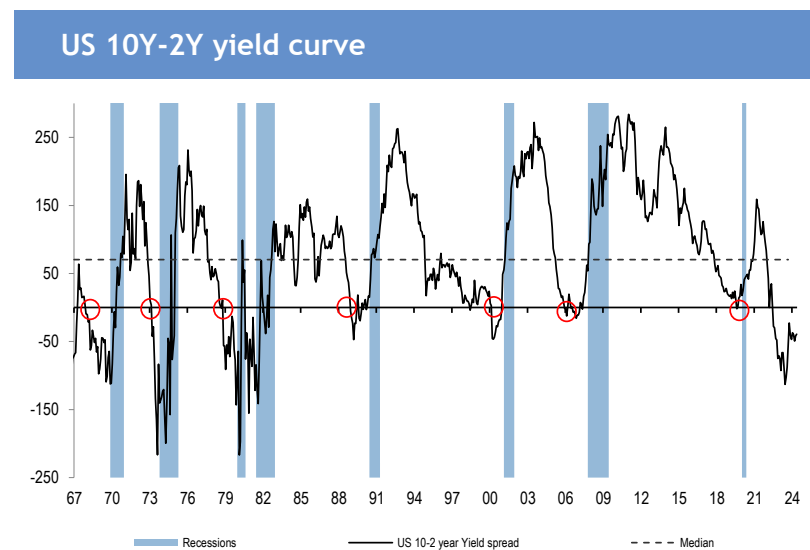


Source: Bloomberg Finance L.P.

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.



Source: Bloomberg Finance L.P.

3) Most were skeptical about earnings during '21-'23, to be now turning more constructive... this could be a mistake...

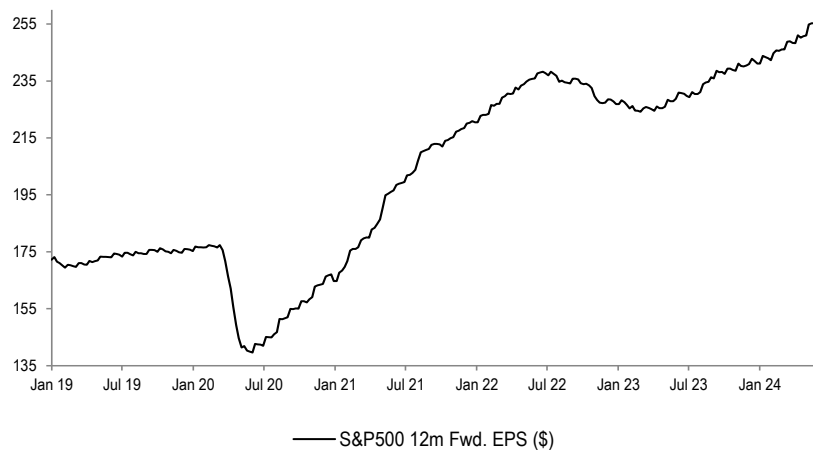
- Earnings have been very resilient over the past 2 years, taking advantage of rising input costs in order to boost pricing power, and drive higher profit margins.
- Consensus expects EPS to have a meaningful move up this year. We believe there are downside risks to these earnings projections.

US and Europe EPS Growth consensus projections

	EPS Growth		
	2024e	2025e	2026e
S&P 500	10.6%	14.2%	11.9%
Stoxx 600	5.1%	10.4%	8.8%

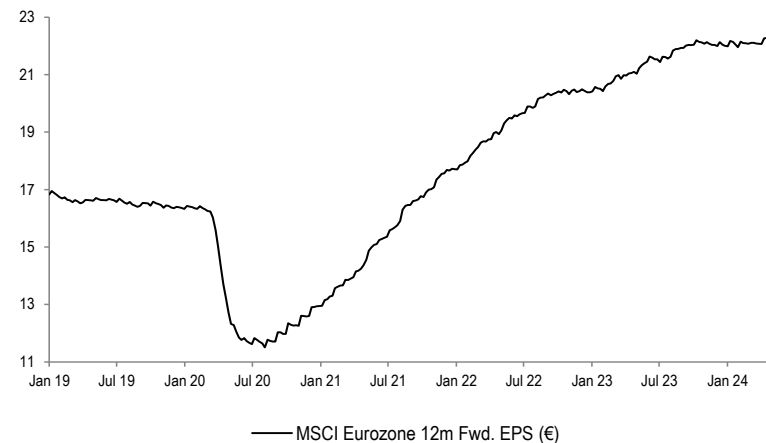
Source: IBES

US 12-month forward EPS



Source: IBES

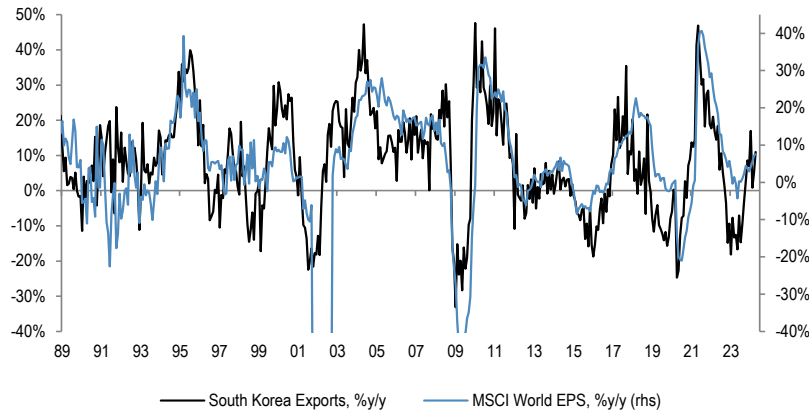
Eurozone 12-month forward EPS



Source: IBES

...topline and pricing are likely to soften, and operating leverage is subpar...
EPS revisions need PMIs to sustain above 54 in order to be positive

Korean exports vs global earnings



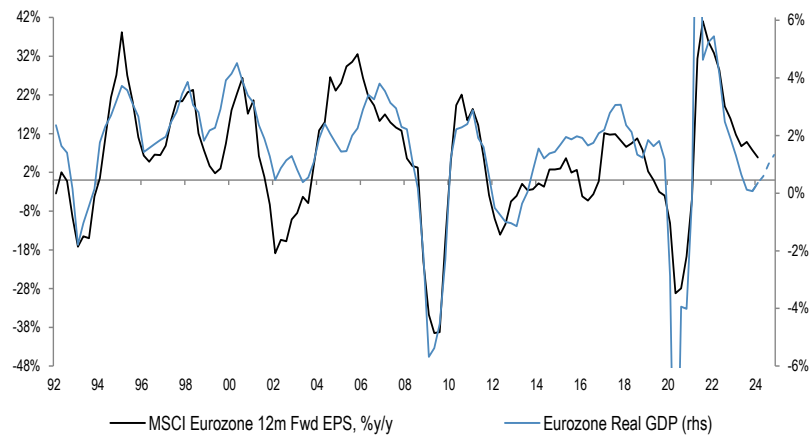
Source: IBES, KOSTAT

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%

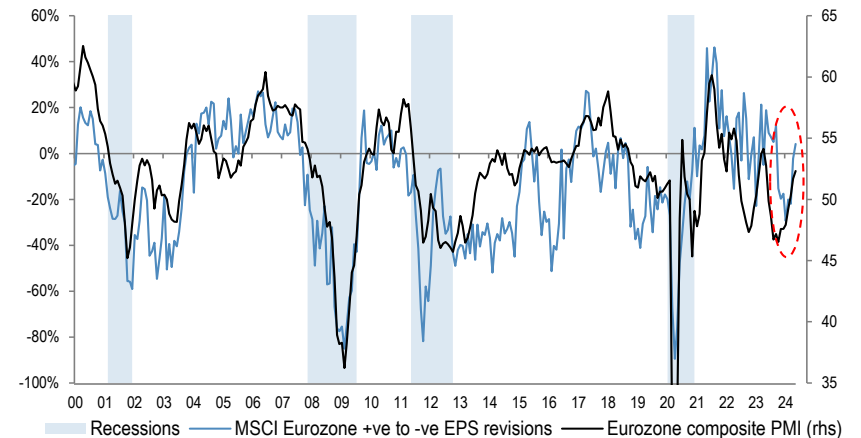
Source: Bloomberg Finance L.P.

Eurozone EPS growth vs GDP growth



Source: IBES, J.P. Morgan

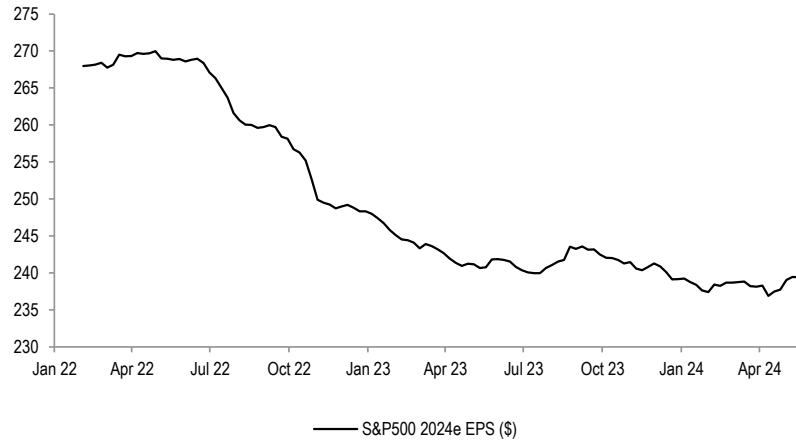
Eurozone EPS revisions and composite PMI



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

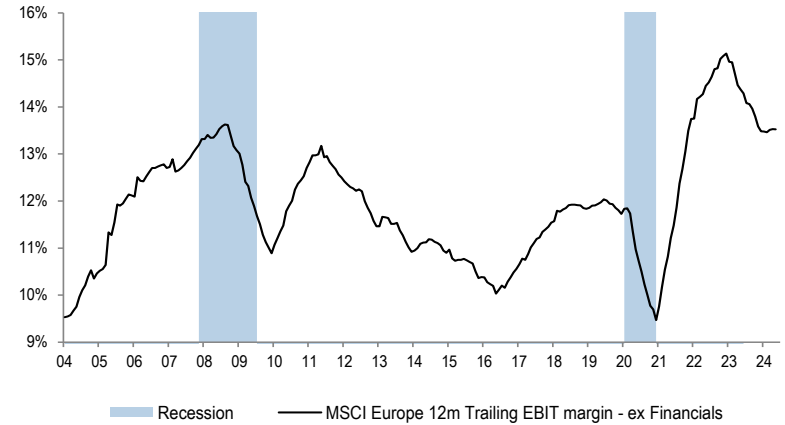
Profit margins are at risk...

S&P500 2024e EPS (\$)



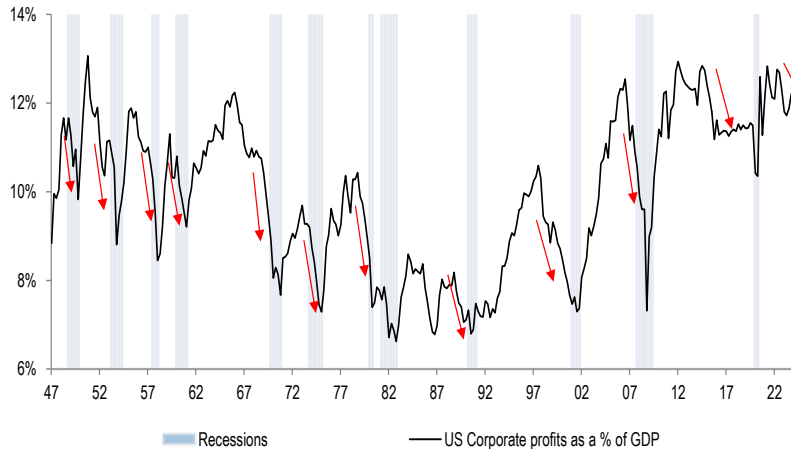
Source: IBES

MSCI Europe 12m Trailing EBIT margin



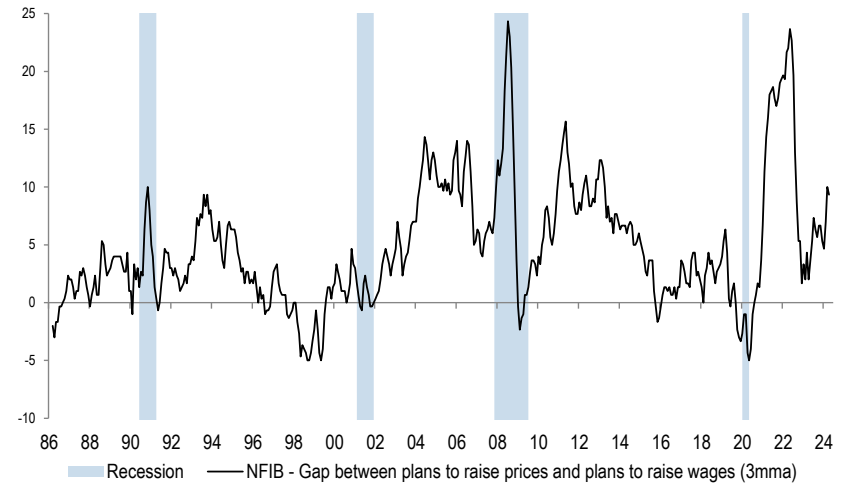
Source: S&P Global

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

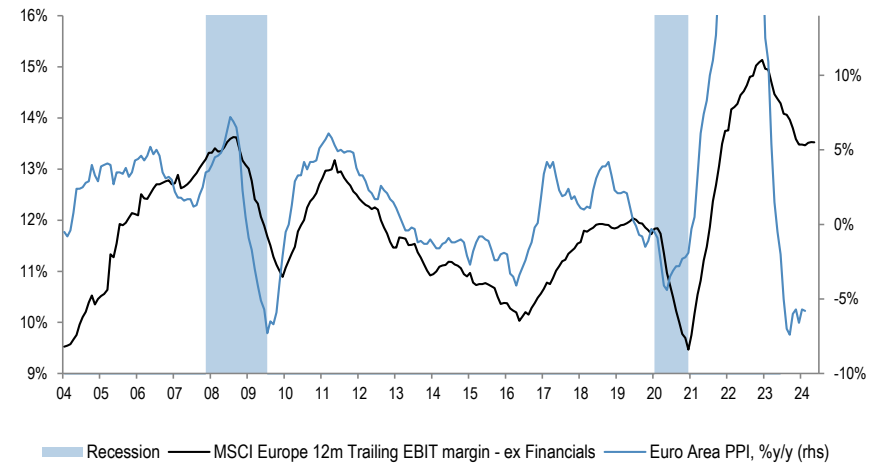
US profit margins in different PPI and CPI regimes

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%

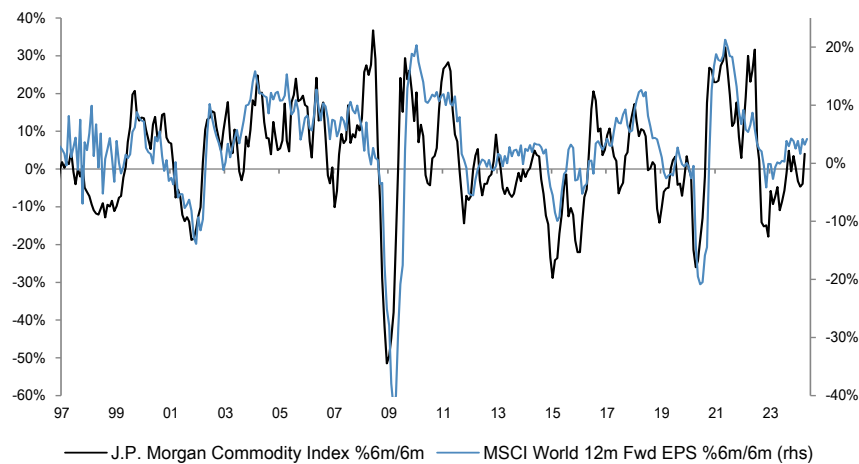
Source: BEA, Bloomberg Finance L.P., J.P. Morgan

Europe profit margins vs PPI



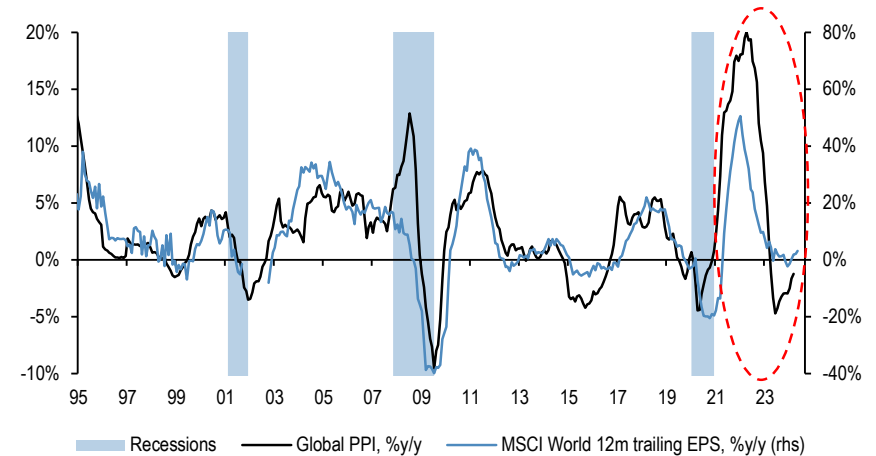
Source: IBES, J.P. Morgan

MSCI World EPS growth and commodity prices



Source: IBES, J.P. Morgan

MSCI World EPS vs global PPI

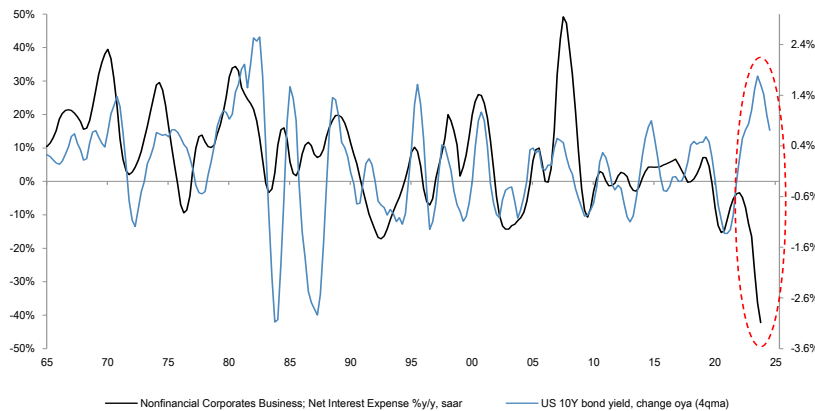


Source: IBES, Bloomberg Finance L.P.

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

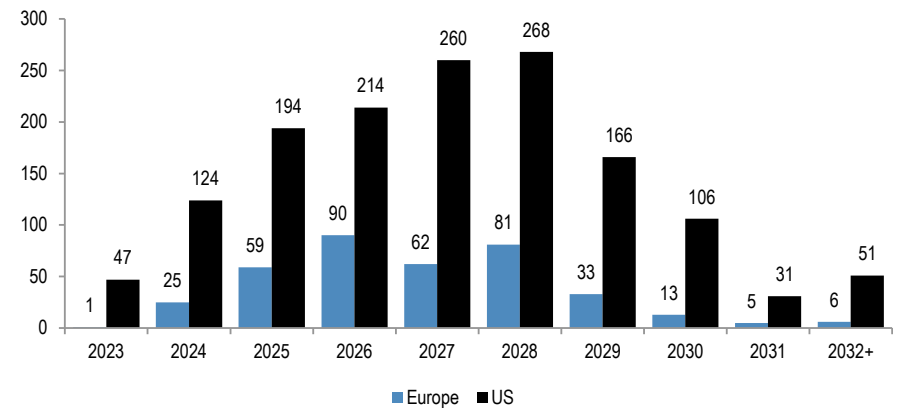
- Many corporates benefitted from the unique feature of this cycle: as interest rates increased 300bp+, the net interest expense came down. That could be explained by companies locking in low cost of financing through extending the duration of their debt, and also through many corporates seeing an improving 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

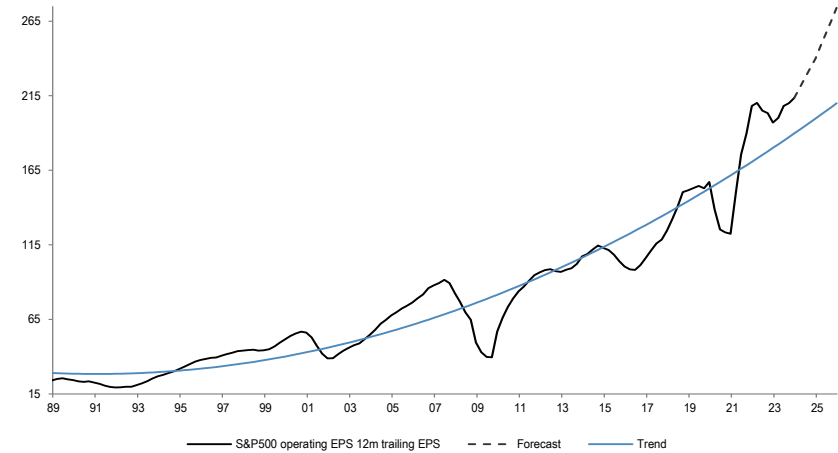


Source: J.P. Morgan Credit Strategy

Consensus expects US earnings to increase from record highs... Eurozone earnings are also at highs, but domestic sectors remain the laggards

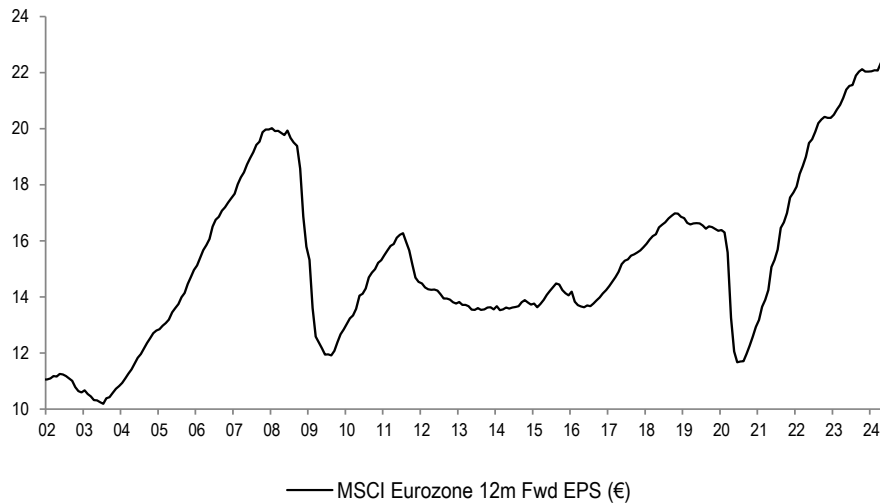
- Within Eurozone, it is the earnings base of domestic plays that has weighed on the overall regions' earnings.

S&P500 EPS vs trend



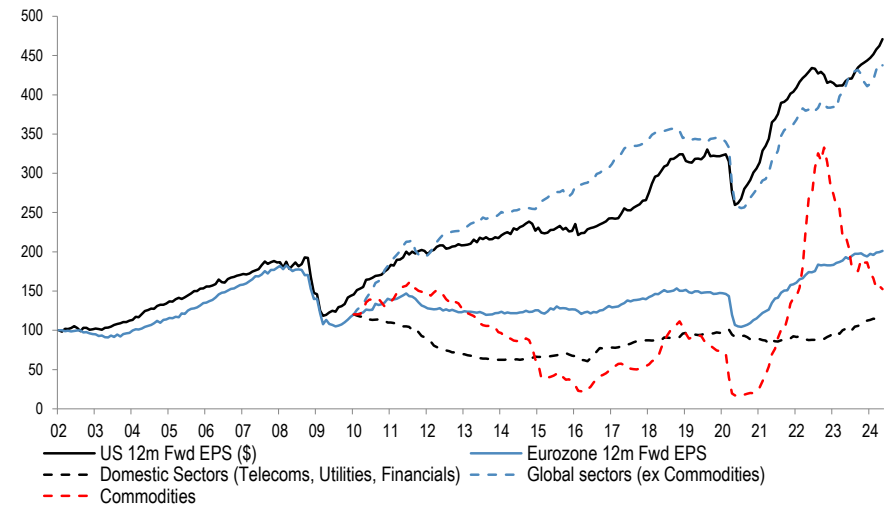
Source: IBES, NBER, Thomson Reuters. *Trailing EPS

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

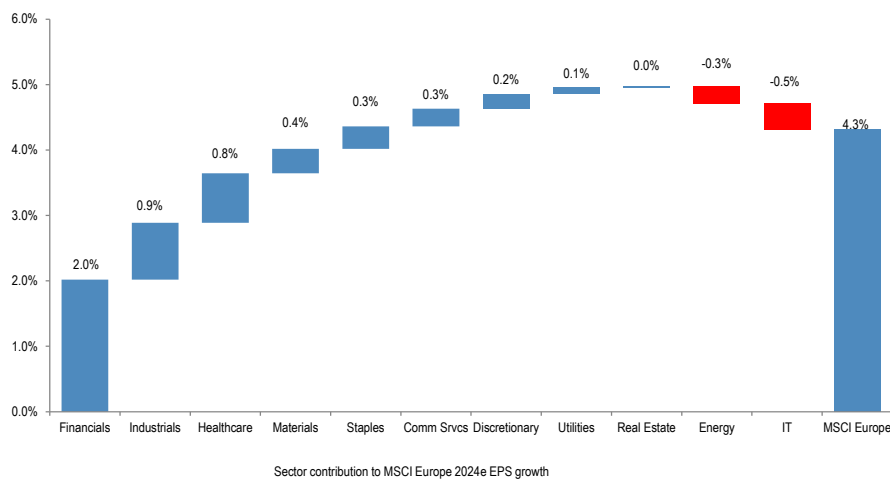
Sector earnings contribution breakdown

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	8.2%	12.6%	10.5%	14.4%	4.3%	10.3%	3.6%	10.4%	2.4%	8.3%	9.1%	8.8%	20.8%	15.4%
Energy	-6.2%	7.6%	-9.4%	9.6%	-2.5%	2.7%	-9.1%	0.3%	3.5%	4.9%	5.6%	10.3%	-11.1%	1.7%
Materials	1.7%	13.4%	-2.1%	16.6%	6.4%	14.3%	15.6%	19.9%	-2.5%	8.3%	14.9%	10.0%	25.8%	26.6%
Industrials	6.9%	12.9%	6.4%	14.6%	7.8%	14.1%	15.2%	14.1%	7.7%	12.9%	5.2%	8.6%	22.4%	16.4%
Discretionary	9.1%	12.9%	15.3%	16.0%	1.9%	11.0%	1.0%	9.8%	0.8%	18.5%	6.1%	5.7%	26.0%	17.3%
Staples	4.6%	8.6%	4.3%	7.9%	2.7%	9.1%	3.9%	11.0%	2.2%	7.3%	11.5%	8.5%	27.0%	15.7%
Healthcare	8.0%	17.6%	8.3%	18.6%	6.5%	14.4%	3.1%	15.6%	8.6%	12.8%	20.1%	16.7%	15.7%	28.5%
Financials	8.3%	9.0%	10.3%	10.6%	7.9%	7.6%	7.7%	6.8%	0.2%	7.2%	9.1%	11.7%	9.7%	8.2%
IT	16.2%	20.1%	18.3%	19.5%	-9.8%	33.6%	-12.1%	37.2%	11.0%	10.8%	17.9%	13.6%	64.0%	30.8%
Telecoms	22.5%	12.8%	23.7%	12.9%	9.8%	11.0%	11.9%	11.5%	4.6%	12.3%	12.6%	-1.4%	22.6%	14.7%
Utilities	5.7%	4.9%	12.9%	8.0%	2.2%	-0.7%	-4.6%	-3.1%	0.4%	5.2%	1.6%	3.4%	58.2%	9.0%
Real Estate	0.4%	7.5%	1.4%	8.5%	2.4%	4.3%	2.4%	2.1%	3.2%	4.9%	6.1%	9.5%	25.6%	13.2%
Median	7.0%	11.1%	7.3%	11.2%	5.4%	11.1%	6.2%	10.4%	4.2%	11.3%	7.4%	9.8%	15.5%	15.9%
Median ex-commo	7.3%	10.9%	7.5%	11.1%	5.5%	10.8%	6.7%	10.0%	4.8%	10.8%	7.4%	9.8%	15.4%	15.5%
Median - Cyclicals	8.0%	12.7%	7.9%	12.4%	5.6%	13.3%	6.8%	12.5%	4.4%	13.9%	11.9%	10.5%	20.2%	21.5%
Median - Defensives	6.2%	9.8%	7.2%	8.5%	5.2%	10.8%	5.6%	9.8%	4.7%	8.4%	8.5%	9.7%	9.1%	9.1%

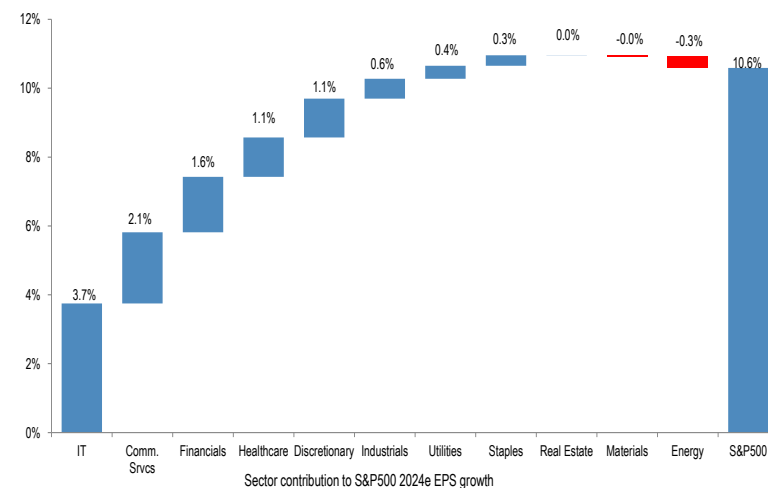
Source: IBES, *Japan refers to fiscal year ending March 2025, 2026

Sector contribution to MSCI Europe 2024e EPS growth



Source: IBES.

Sector contribution to S&P500 2024e EPS growth

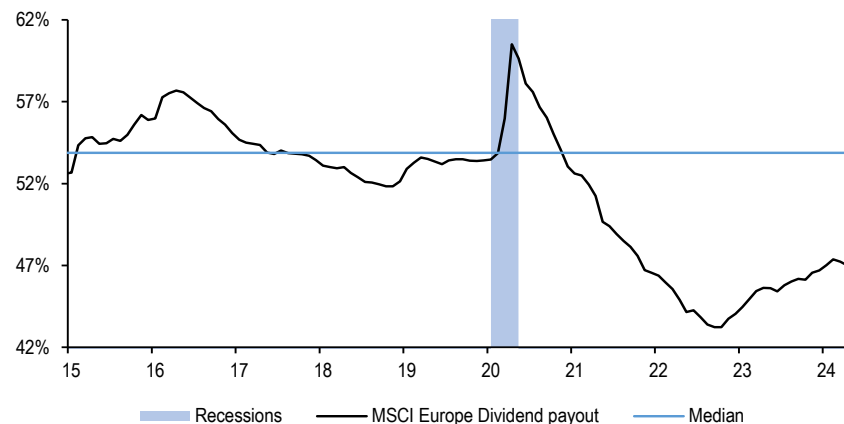


Source: IBES.

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

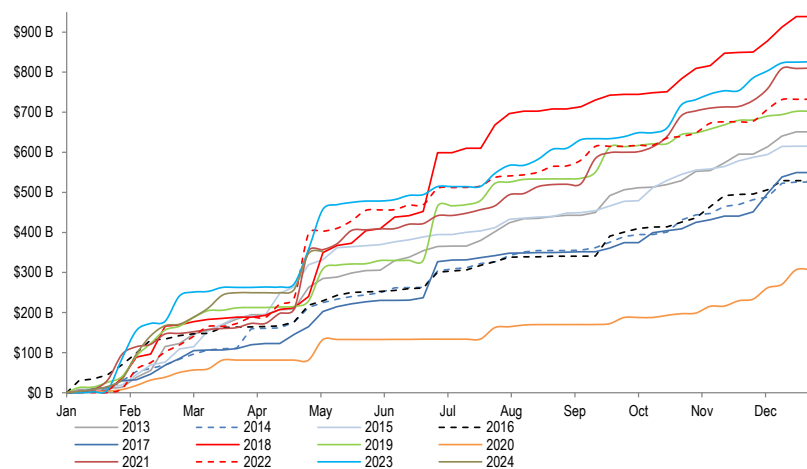
- We have seen very strong momentum in buyback announcements last year.
- Buybacks as a share of profits are still low.
- Dividend payout ratios are low, too.

MSCI Europe dividend payout ratio



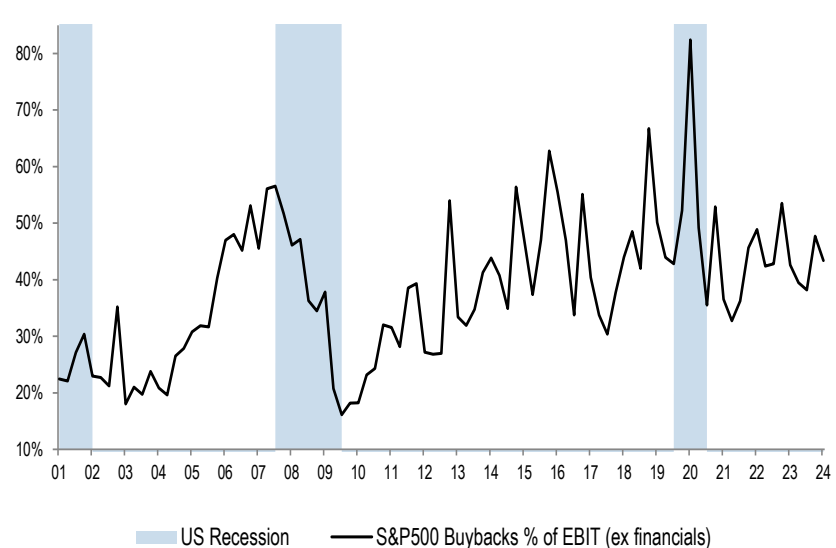
Source: IBES

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 elevated... 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
Italy	9.2	11.9	-23%
Spain	10.4	11.9	-12%
UK	11.5	12.4	-7%
Germany	12.1	12.4	-3%
Eurozone	13.3	12.8	4%
Japan	15.6	14.2	10%
EM	12.4	11.3	10%
France	14.4	12.8	12%
Switzerland	17.4	15.1	15%
World	18.4	15.0	23%
US	21.0	15.8	33%

Source: IBES

Fall in MSCI US P/E during past recessions

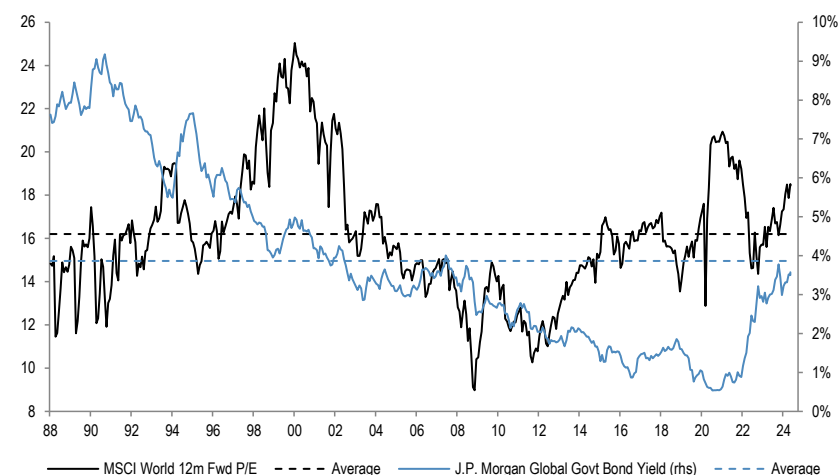
Recession	Market Peak	Market Trough	MSCI US peak to trough move	12m Fwd P/E at MSCI US peak	12m Fwd P/E at MSCI US trough	Move in MSCI US 12m Fwd P/E from peak to trough
1990	Jul-90	Oct-90	-20%	12.8	10.4	-19%
2001	Mar-00	Oct-02	-51%	25.7	13.8	-46%
2008	Oct-07	Mar-09	-56%	15.4	10.4	-32%
2020	Feb-20	Mar-20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

Source: IBES

...DY-BY gap no longer appears attractive, even in 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

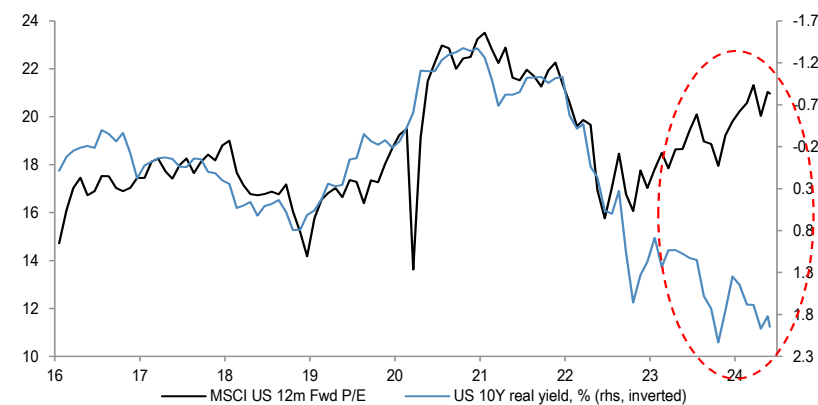
DM yield gap in the historical context

	Dividend yield	10Y Bond yield	Dividend yield minus bond yield	Average since '00	Current vs Average (bp)
US	1.3%	4.6%	-3.2%	-1.4%	-182
Japan	1.9%	1.1%	0.9%	0.9%	-6
Eurozone	3.1%	2.9%	0.1%	0.4%	-28
UK	3.7%	4.3%	-0.7%	0.6%	-122

*Current as of 28th May'24

Source: Datastream

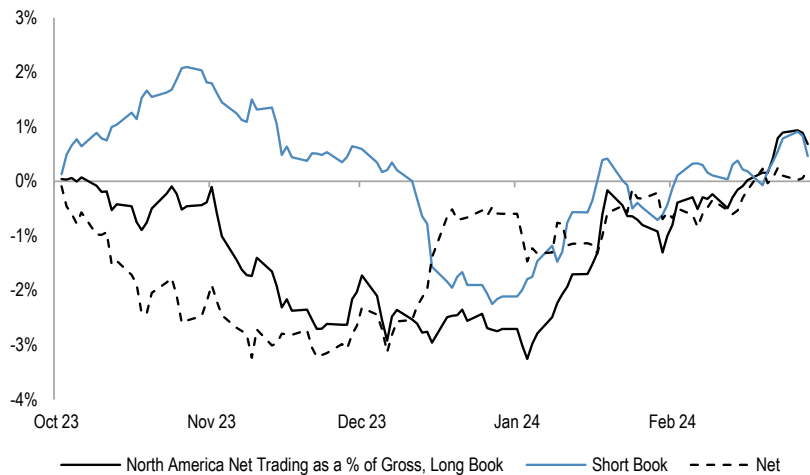
US 12m Fwd. P/E vs US real yield



Source: Datastream

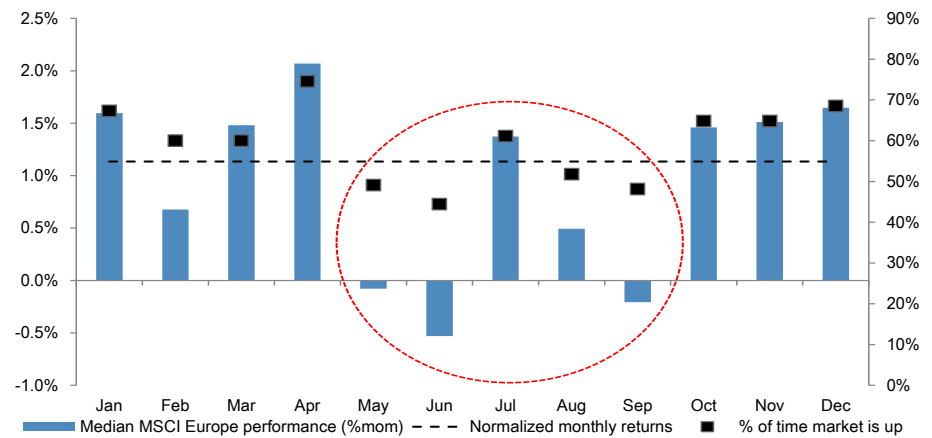
5) Summer is the seasonally weaker part of the year... futures positioning is stretched

N. America net trading, % Gross



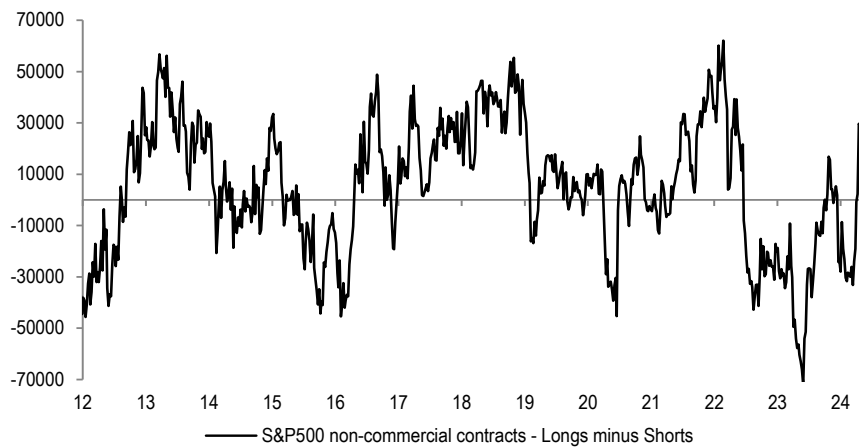
Source: JPMorgan Positioning Intelligence.

Seasonality* of MSCI Europe performance



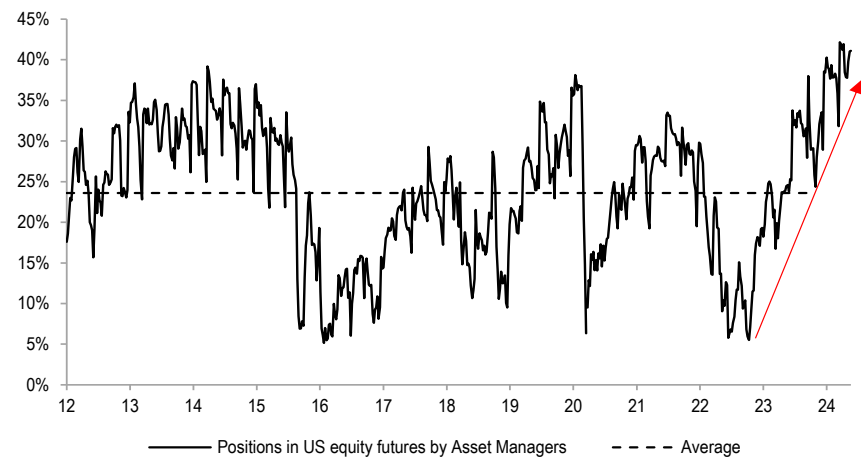
Source: Datastream, *Median since 1970

Speculative positions on S&P500 futures contracts



Source: Bloomberg Finance L.P.

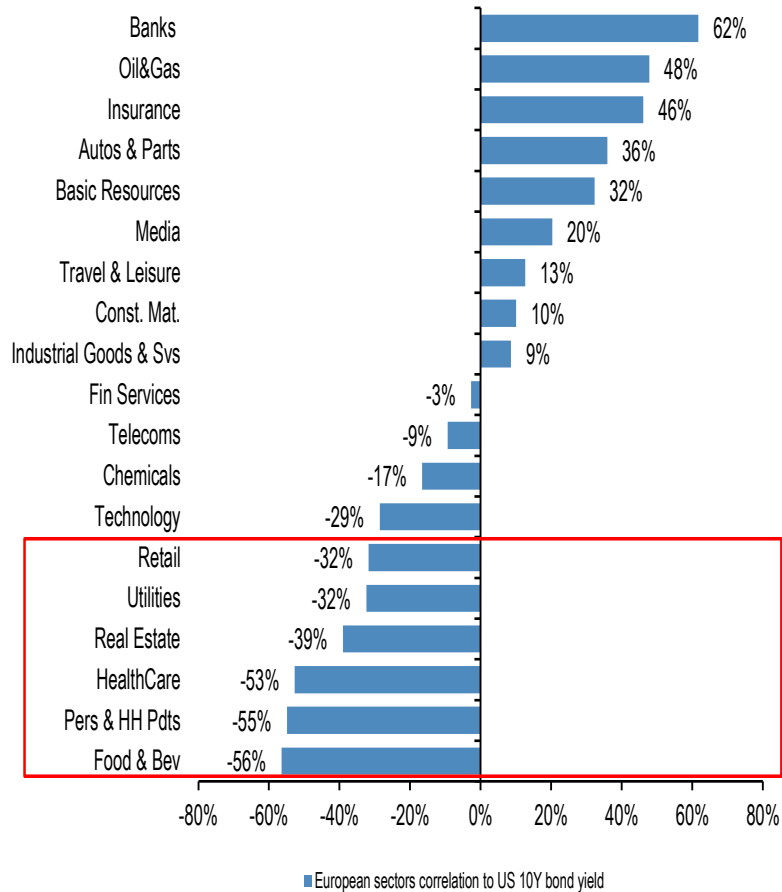
Positions in US Equity futures by Asset Managers



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

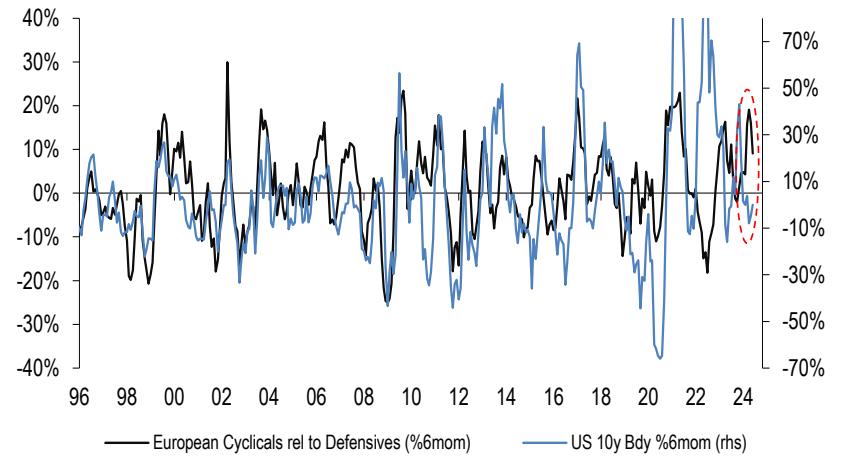
Key drivers of sector performance: 1) Bond yields... Cyclical and Financials typically show positive correlation to yields

European sectors correlation to bond yields



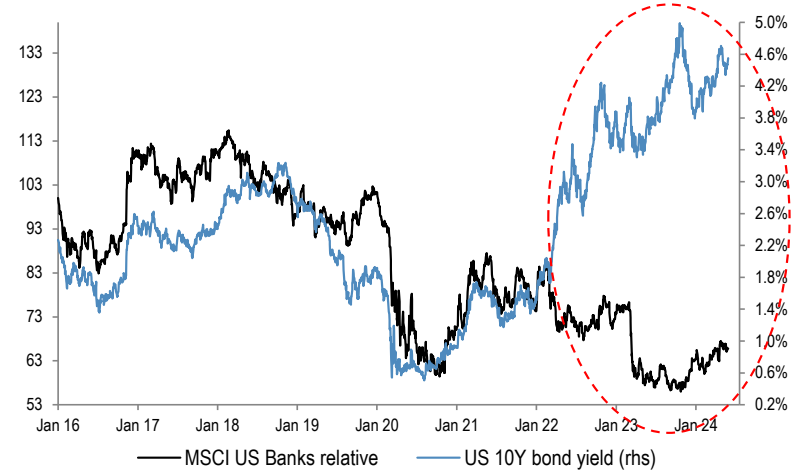
Source: Bloomberg Finance L.P.

European Cyclical versus Defensives and bond yields



Source: Datastream

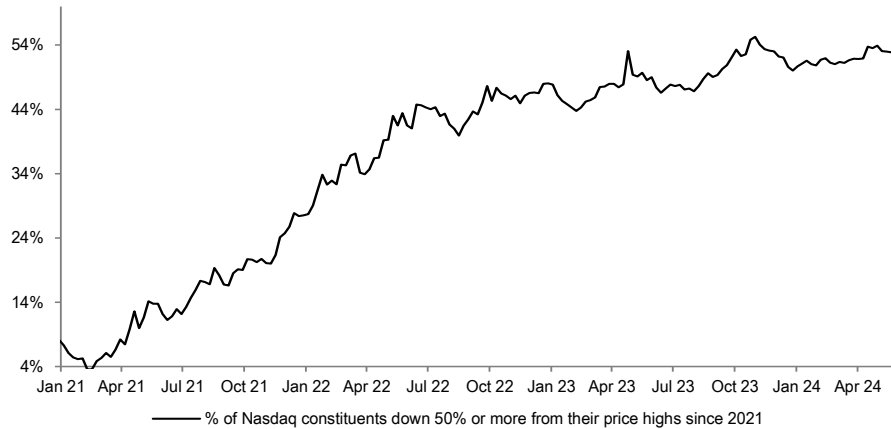
US Banks relative vs US 10-year yield



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



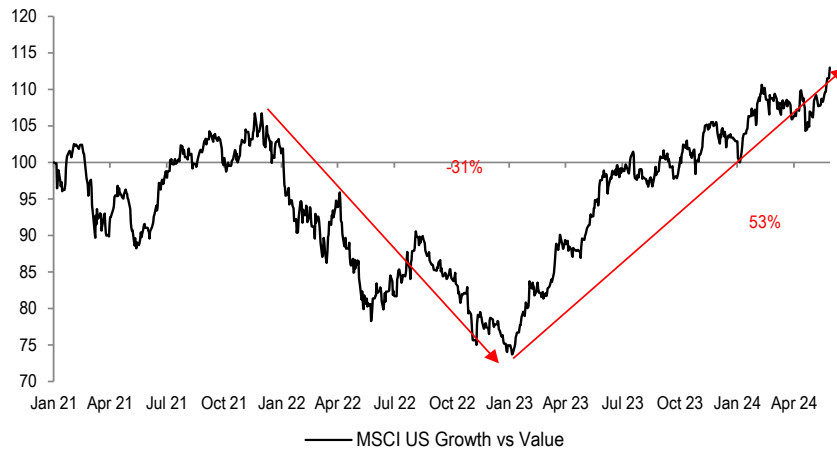
Source: Datastream

FAANG price relative



Source: Bloomberg Finance L.P.

MSCI US Growth vs Value



Source: Bloomberg Finance L.P.

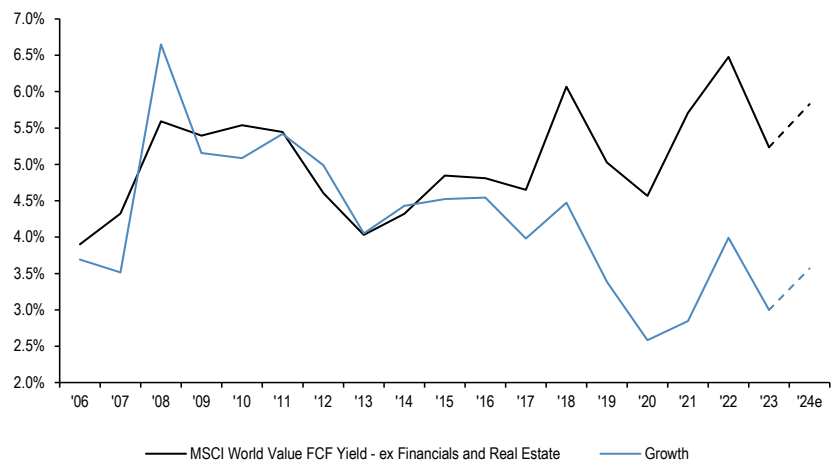
Global Fintech Index relative



Source: Bloomberg Finance L.P.

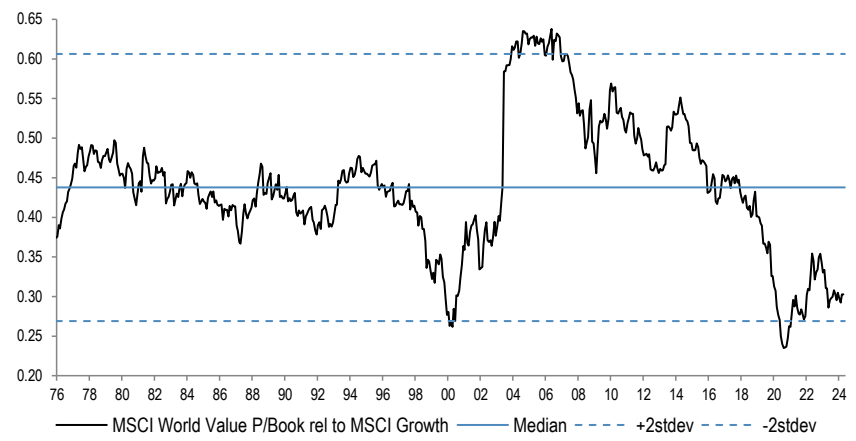
...we are still with Quality Growth tilts, but note that reversal could be due... Value screens cheap

MSCI World Value and Growth FCF yield



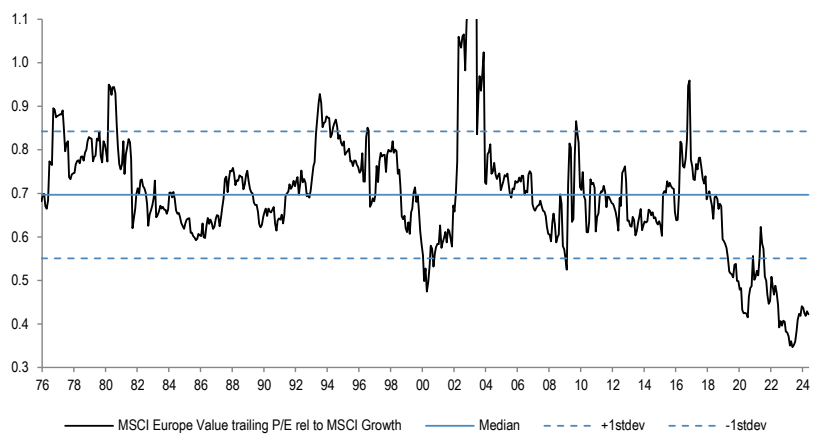
Source: Datastream

MSCI World Value vs Growth P/Book



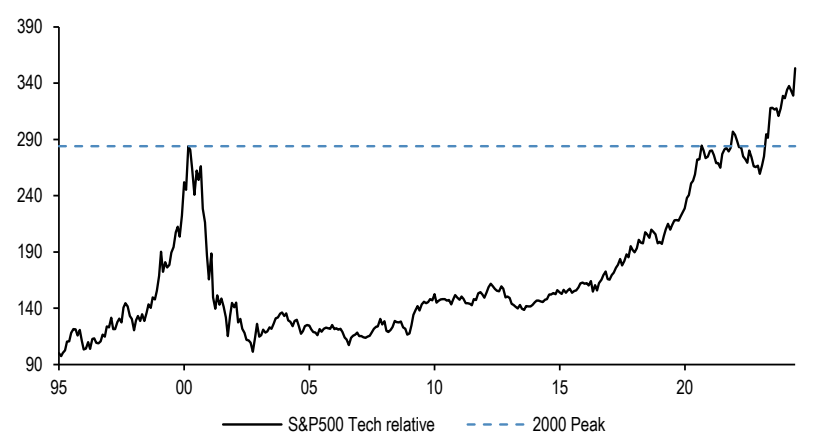
Source: Datastream

MSCI Europe Value vs Growth P/E



Source: Datastream

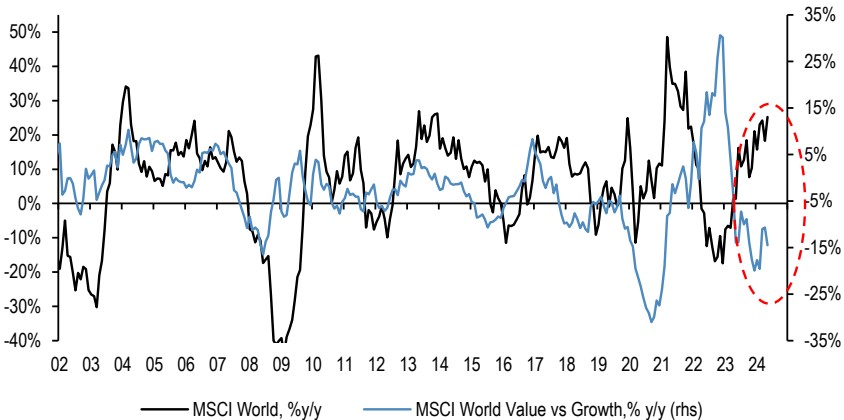
S&P500 Tech relative



Source: Datastream

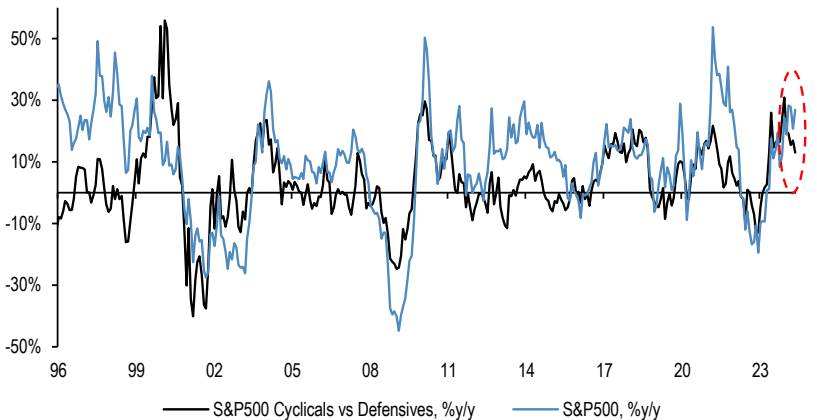
Growth style is a large part of market cap, but notably market direction and Cyclical/Value leadership are typically positively correlated

MSCI World and MSCI World Value vs Growth



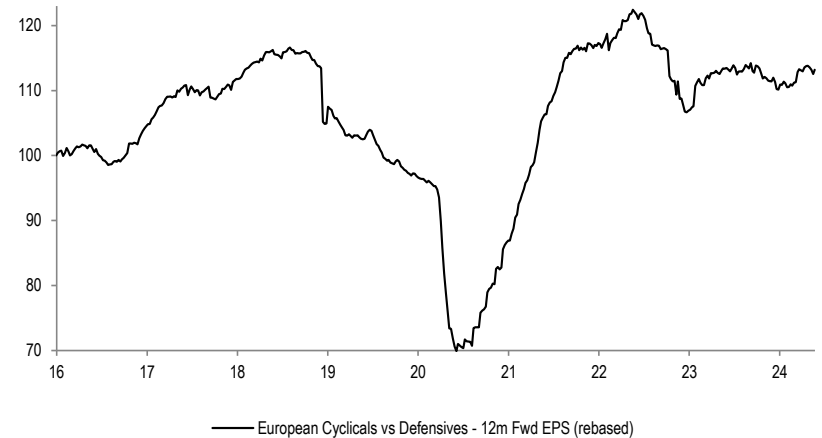
Source: Datastream

S&P500 Cyclical vs Defensives and market



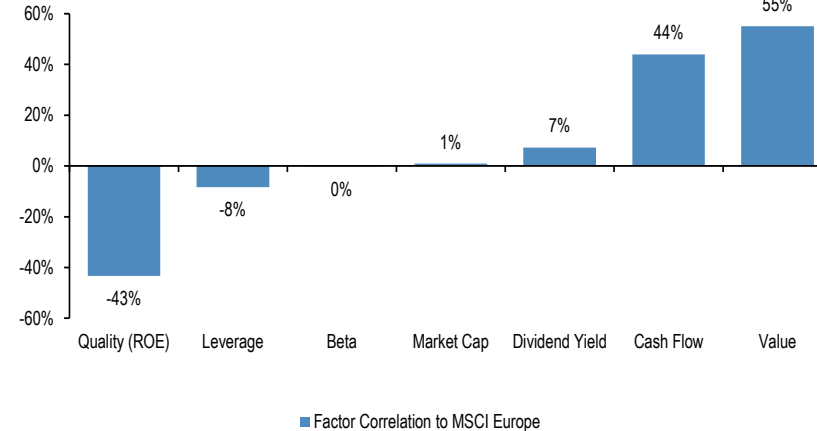
Source: Datastream

European Cyclical vs Defensives forward EPS relative



Source: Datastream

Factor performance correlation to market

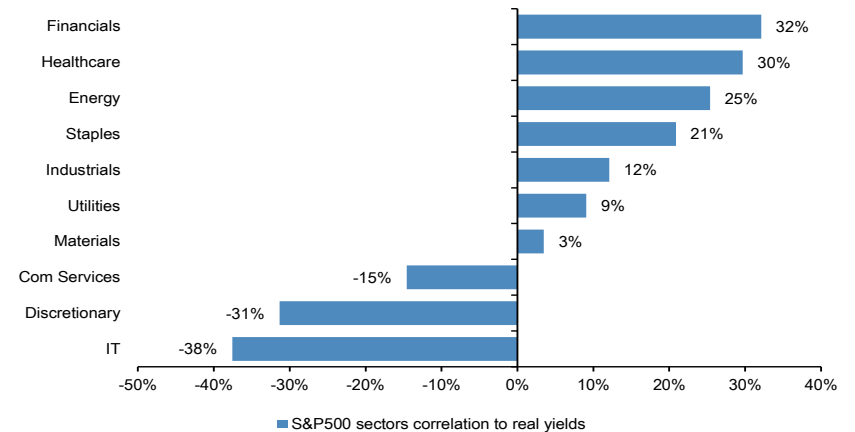


Source: Datastream, J.P. Morgan

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

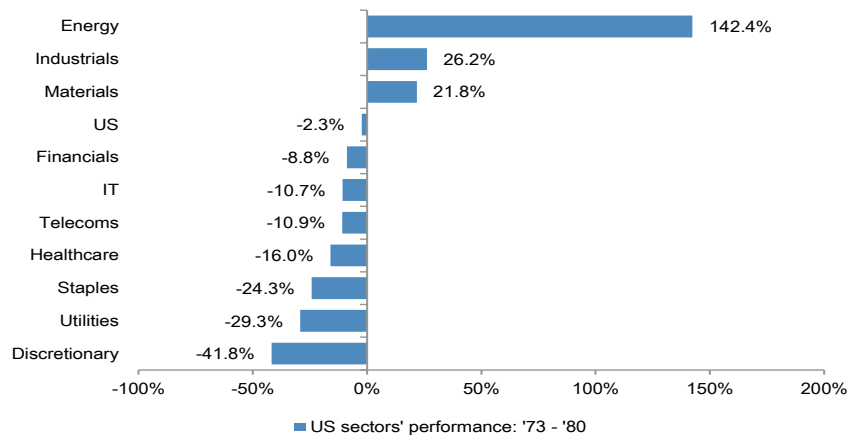
- Financials performed well, outside recessions, in 1970-ies.
- Financials are the most positively correlated to real rates, and Tech the most negatively.

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

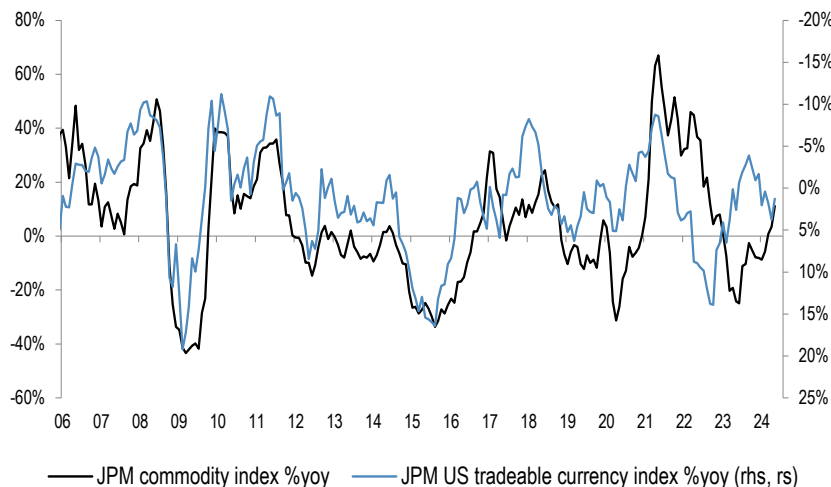
- Historically, equities did better in weaker USD regimes, especially the EMs.
- Commodities are inversely correlated to the USD.

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%

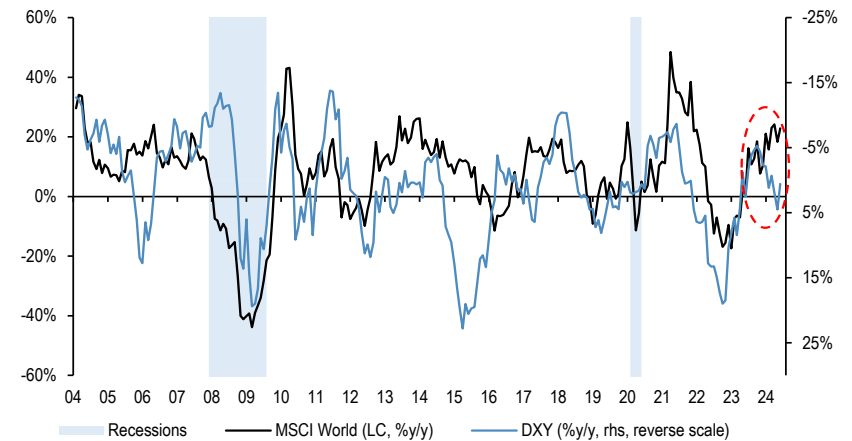
Source: Bloomberg Finance L.P.

Commodity index and trade-weighted USD



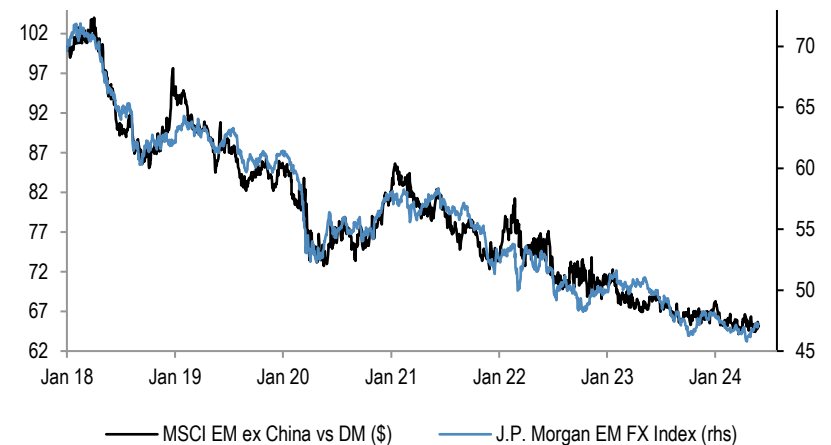
Source: Bloomberg Finance L.P., J.P.Morgan

MSCI World performance and DXY



Source: Bloomberg Finance L.P.

MSCI EM ex China vs DM and EM FX

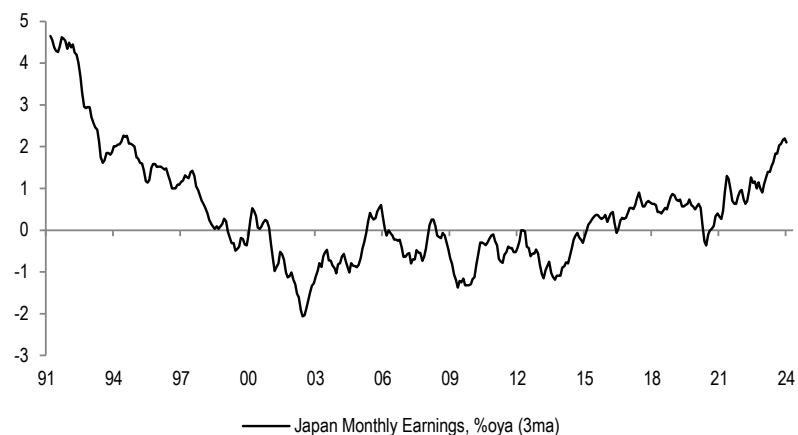


Source: Bloomberg Finance L.P.

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, and that is still likely relevant, but a lot of the move happened.
- Continued yield spread differential, consumer reflation, further reforms where only half of corporates have announced changes and the flows are some of the supports.

Japan monthly earnings



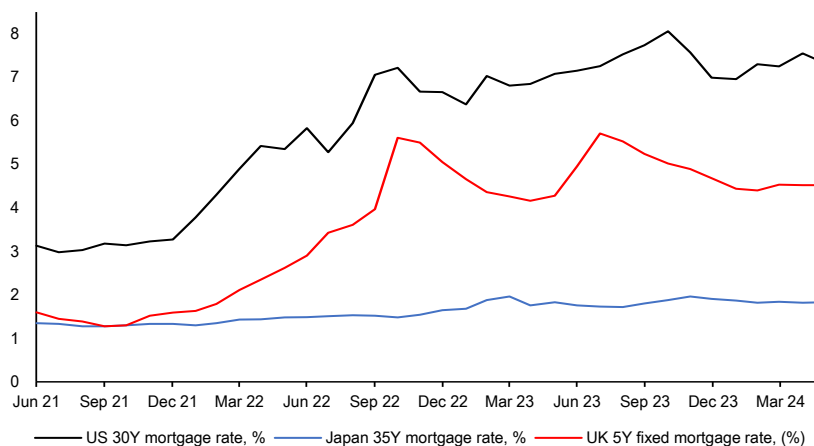
Source: J.P.Morgan Economics

MSCI Japan relative



Source: Datastream

US, UK and Japan mortgage rates

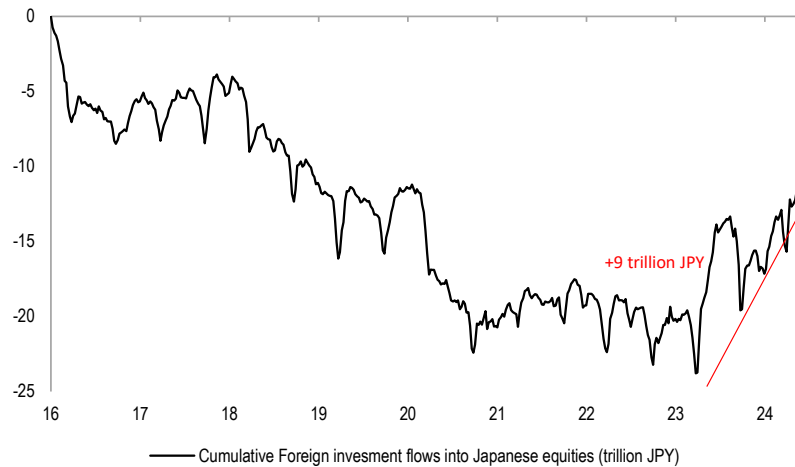


Source: Bloomberg Finance L.P.

...Japan is still underowned by global investors...

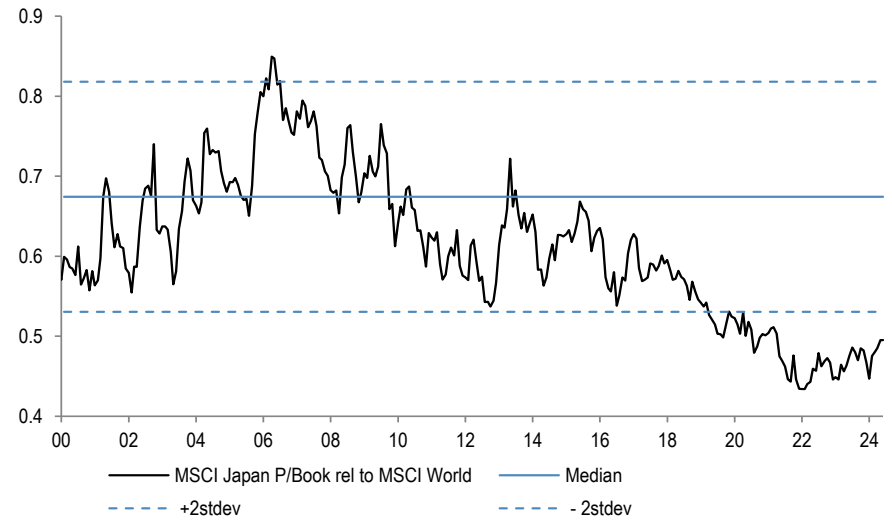
- Despite the strong returns last year, Japan still trades 2.5 standard deviations below its long-term median on P/B metric.
- Foreign investor interest in Japan has increased last year, and the region has seen inflows. Still, positioning is light in a longer-term context.
- Foreigners have bought ¥9 trillion of Japanese stocks since the start of last year, 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%.

Foreign investment flows into Japanese equities



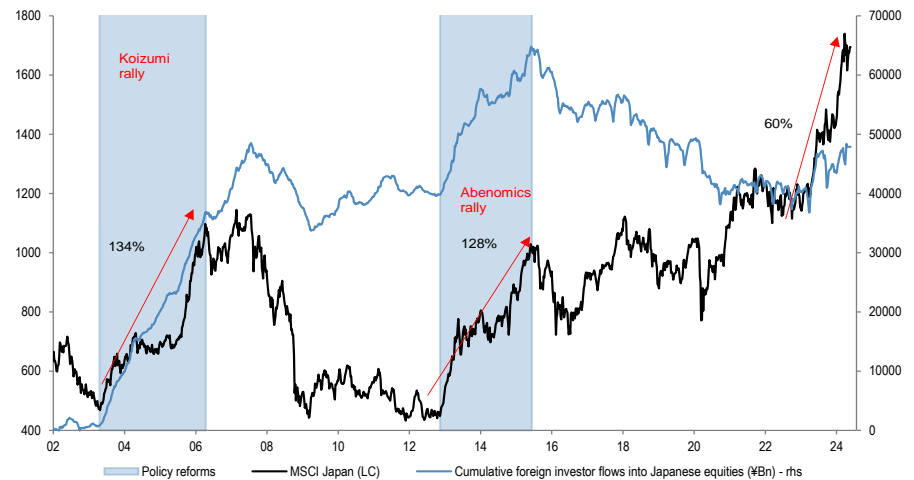
Source: JPM Japan Equity Strategy

MSCI Japan Price to Book relative



Source: IBES

MSCI Japan price and flows during Koizumi and Abenomics reforms

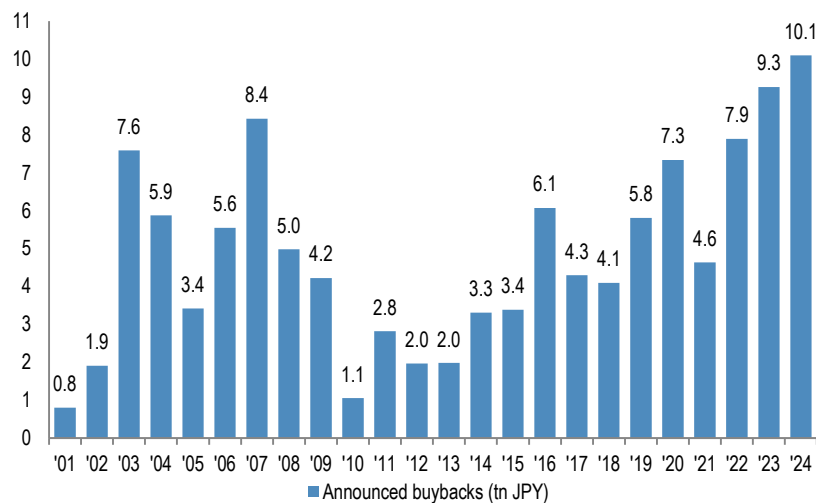


Source: IBES

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

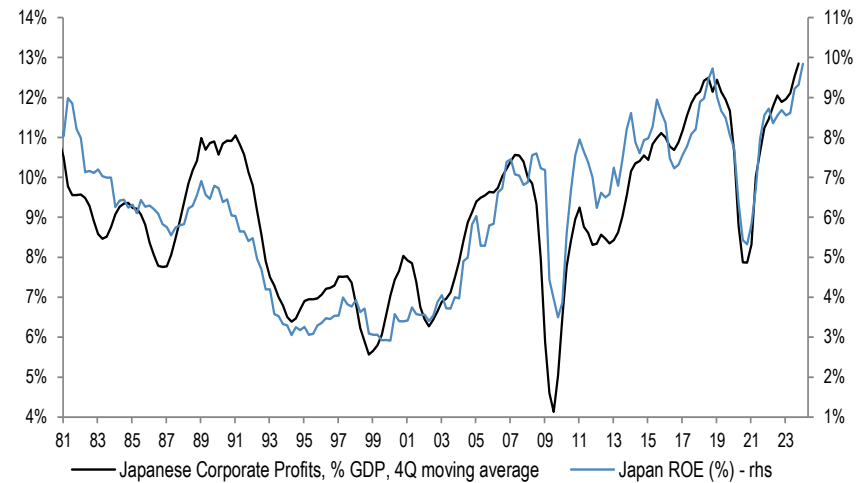
- One of the key drivers of Japanese equities is the TSE directive to better manage cost of capital, which incentivizes companies to raise their RoE. The region has a higher proportion of net cash companies vs others, which can be used towards measures to raise RoE. This in turn is likely to boost corporate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

Announced buybacks - TOPIX universe



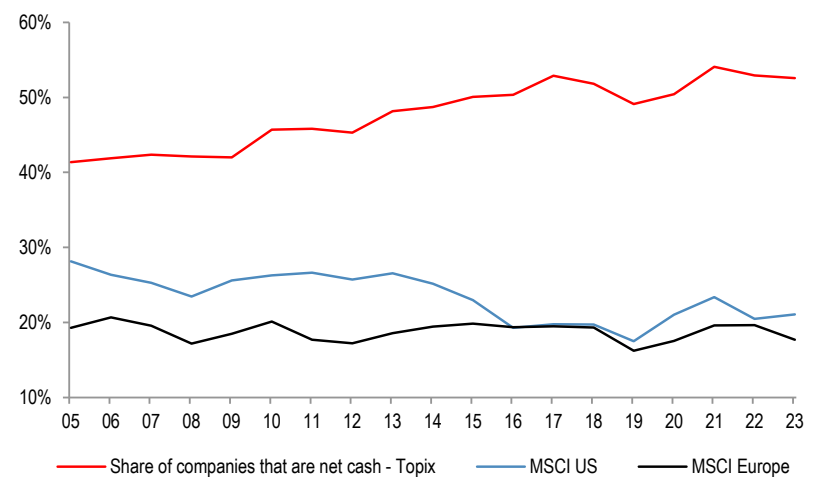
Source: Bloomberg Finance L.P. refers to FY

Japanese profit margins and RoE



Source: ESRI, Bloomberg Finance L.P.

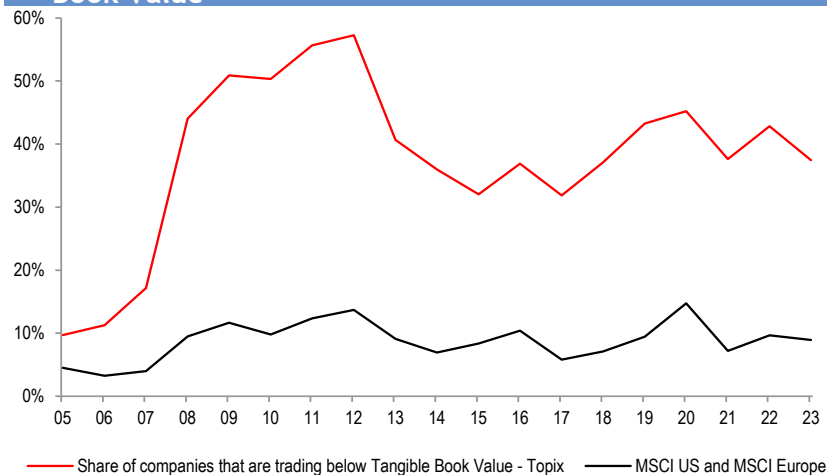
Net cash firm weightings



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



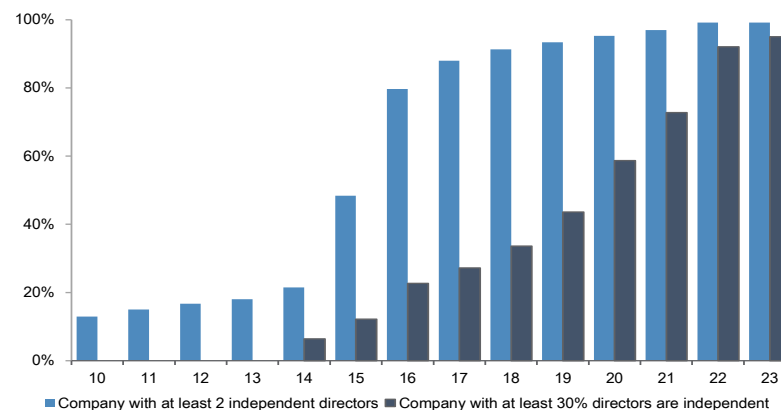
Source: Bloomberg Finance L.P.

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

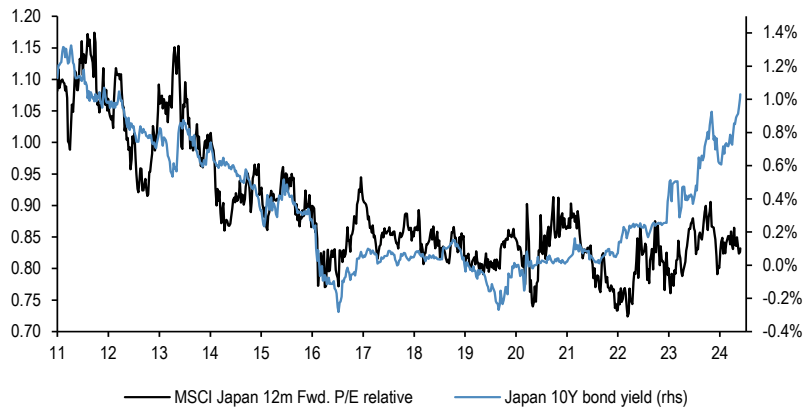
- A final potential positive argument for Japan is that the rising bond yields and/or inflation should not be seen as impediments for the region's performance. Our fixed income team expects Japanese yields to rise from current levels.
- We keep our regional relative trade of OW Japanese Banks vs global Banks, started in April '23.

JPM forecasts for Japan 10Y bond yield (%)

Current	Forecast for the end of			
	Jun 24	Sep 24	Dec 24	Mar 25
1.09	0.85	1.05	1.30	1.30

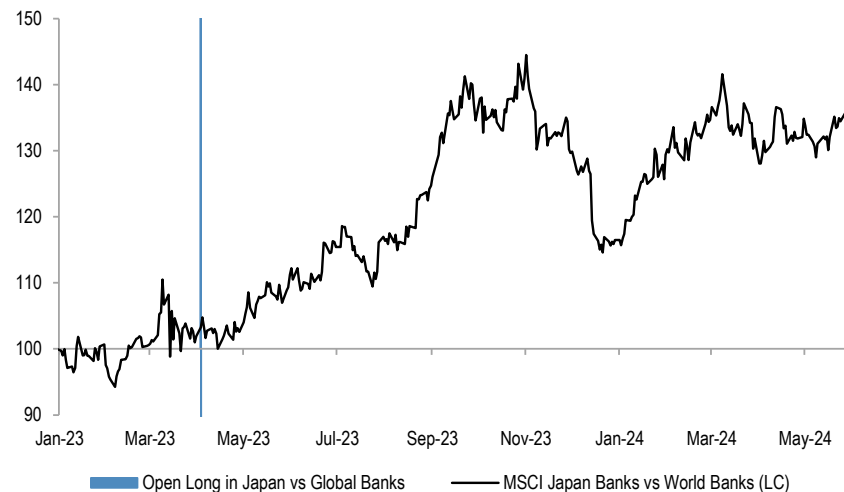
Source: Bloomberg Finance L.P., J.P. Morgan

MSCI Japan 12m forward P/E and bond yields



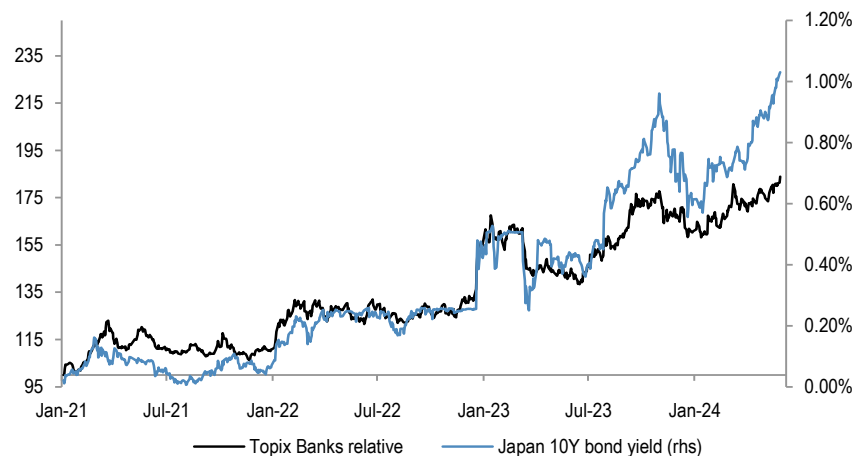
Source: Bloomberg Finance L.P., J.P. Morgan

MSCI Japan Banks relative to Eurozone Banks



Source: Datastream

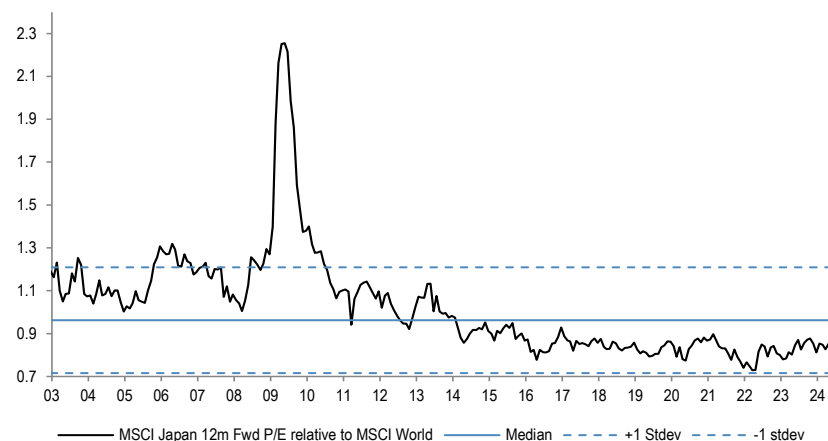
Japan Banks relative to 10Y bond yield



Source: Bloomberg Finance L.P.

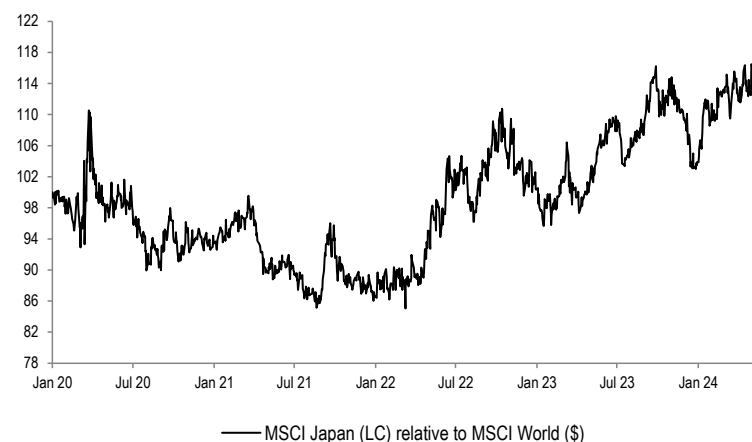
Japan snapshot

MSCI Japan 12m Fwd PE relative to MSCI World



Source: IBES

MSCI Japan performance relative to MSCI World



Source: Datastream

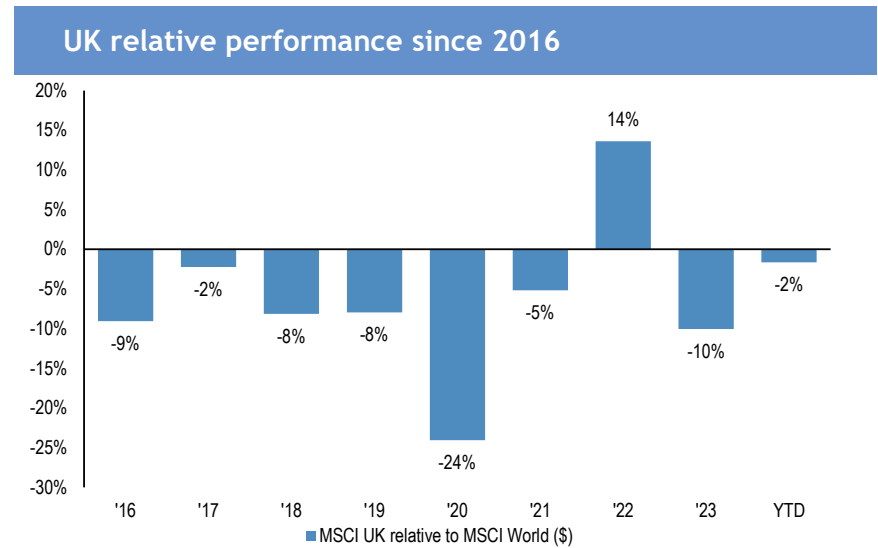
Japan Sector snapshot

	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	18.3%	19.5%	100.0%	0.0%	15.6	10.8%	6.3%	8.9%
Energy	33.0%	34.2%	0.9%	-3.7%	8.8	-5.7%	-12.0%	5.6%
Materials	3.1%	4.2%	4.3%	0.4%	12.8	-1.0%	13.1%	13.5%
Industrials	25.1%	26.4%	23.3%	12.0%	15.7	18.2%	4.2%	5.1%
Discretionary	14.4%	15.6%	19.3%	8.7%	12.0	-6.2%	3.5%	6.4%
Staples	9.1%	9.6%	5.3%	-1.4%	20.7	-0.1%	18.5%	11.4%
Healthcare	9.3%	10.3%	7.7%	-4.3%	27.4	19.7%	9.2%	19.6%
Financials	35.5%	37.8%	13.6%	-1.8%	12.7	14.2%	7.9%	8.7%
IT	18.2%	18.8%	14.8%	-8.4%	24.1	38.6%	14.2%	17.3%
Telecoms	8.9%	10.2%	6.6%	-1.0%	17.6	33.0%	34.2%	12.8%
Utilities	23.4%	24.7%	1.2%	-1.4%	9.3	-23.4%	-36.0%	1.9%
Real Estate	-7.4%	-5.8%	3.1%	0.9%	15.1	-2.5%	2.5%	6.1%
Cyclicals	18.3%	19.3%	61.7%	12.7%	15.3	10.9%	6.0%	8.0%
Defensives	9.8%	10.8%	20.7%	-8.1%	20.1	16.2%	8.8%	11.9%

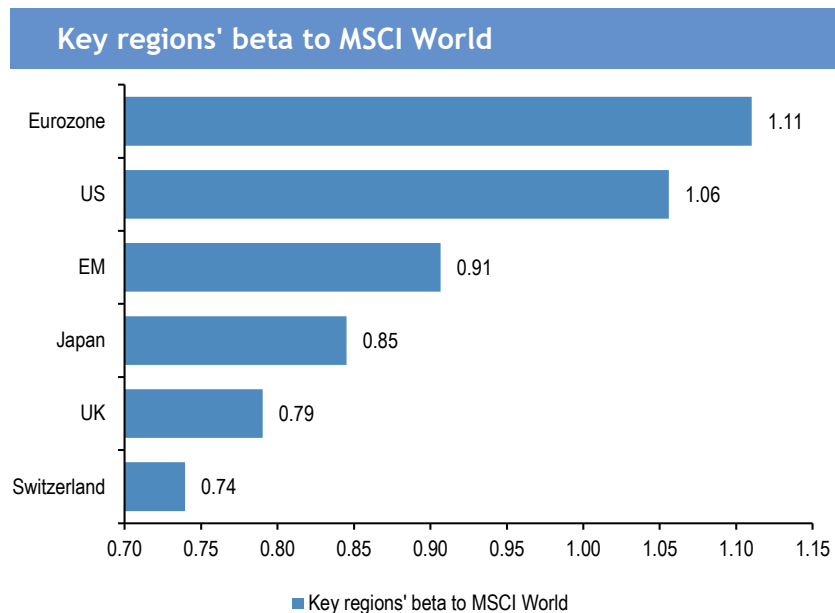
Source: IBES, Datastream, *for the year ending March 2024 and 2025

2) OW UK – it could become more interesting in case of a broader equity weakness, especially if commodities hold up...

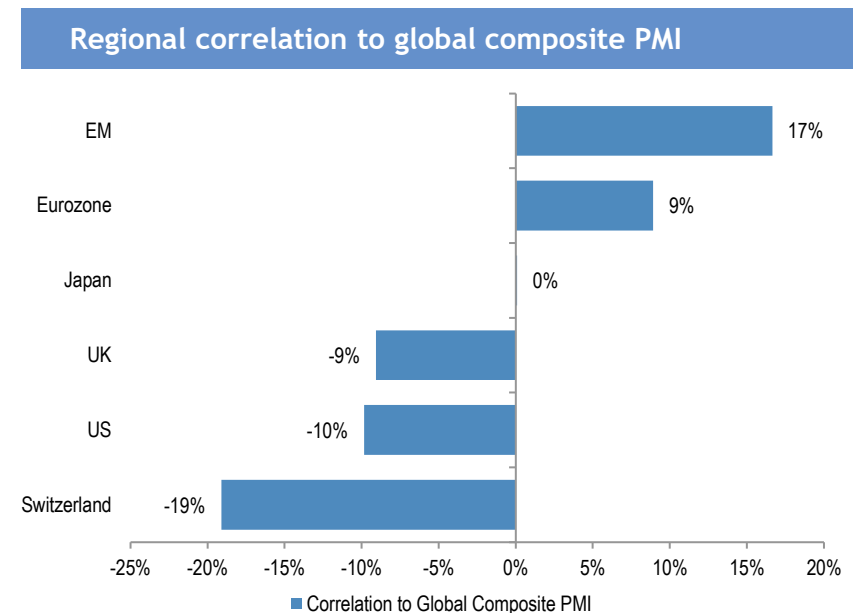
- The last time UK equities outperformed was in 2022, when their defensive characteristics came in handy.
- The UK has traditionally been a low beta, Defensive market, which performs well on a relative basis during downturns. If global equities see a pullback into summer, the UK could be a relative winner.



Source: Datastream



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



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

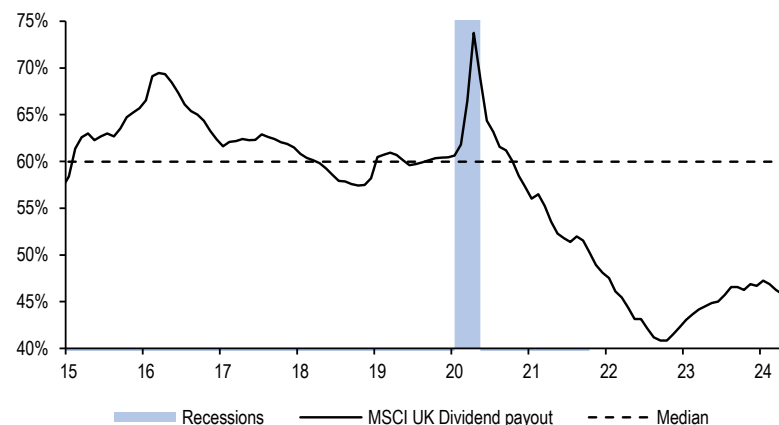


Source: Datastream

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

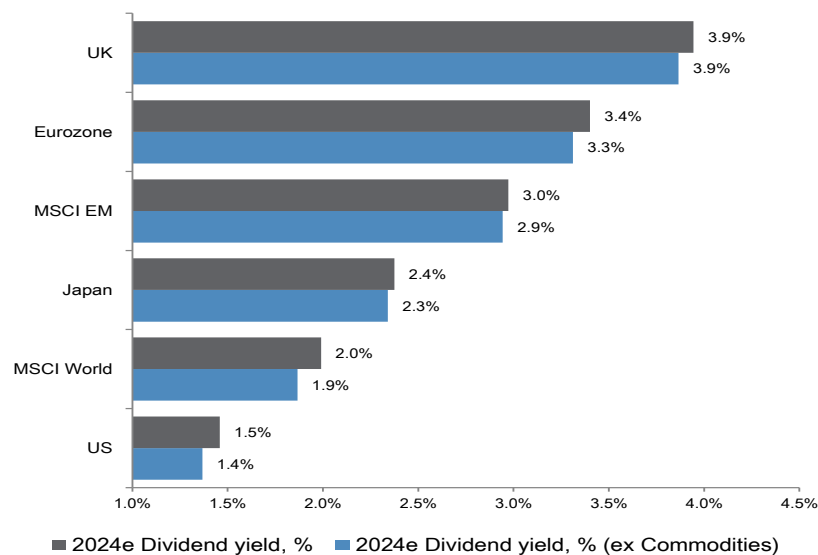
- From a total return perspective, the UK offers a much higher dividend yield compared to other regions, even excluding commodity sectors.
- Dividend yield looks attractive and the payout ratio is still meaningfully below average. In addition, dividend strategies are likely to gain traction if our view 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



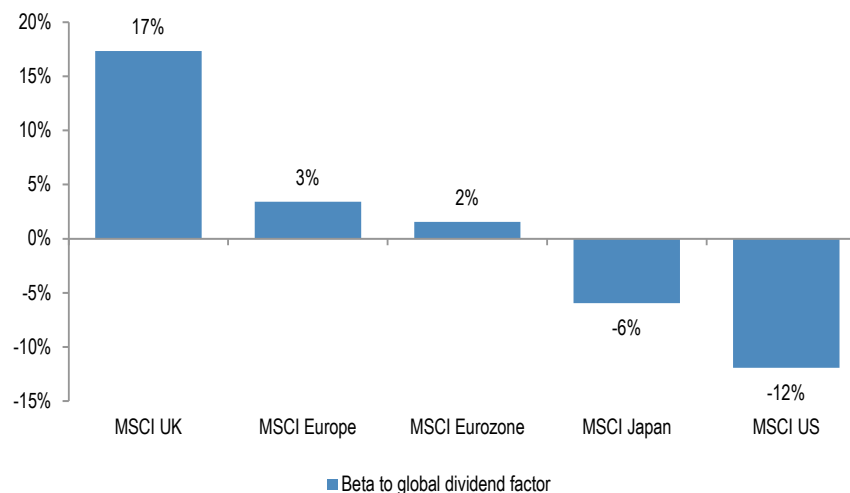
Source: Datastream

Dividend yield for key regional markets



Source: Bloomberg Finance L.P.

Beta to dividend factor



Source: Bloomberg Finance L.P.

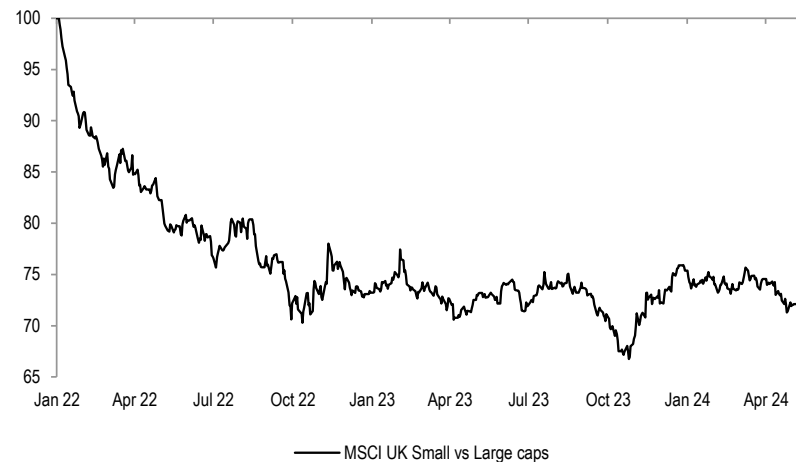
We are reversing our longstanding OW FTSE100 vs FTSE250 stance, initiated in Dec '21

FTSE100 vs FTSE250



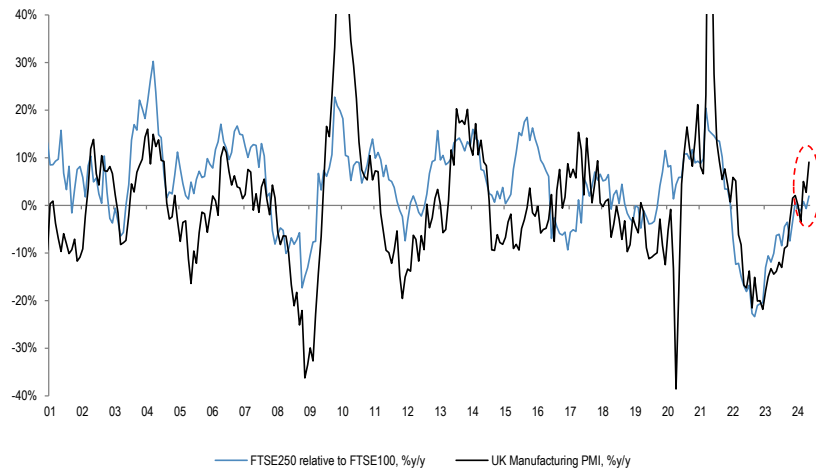
Source: Datastream

UK small caps vs large caps



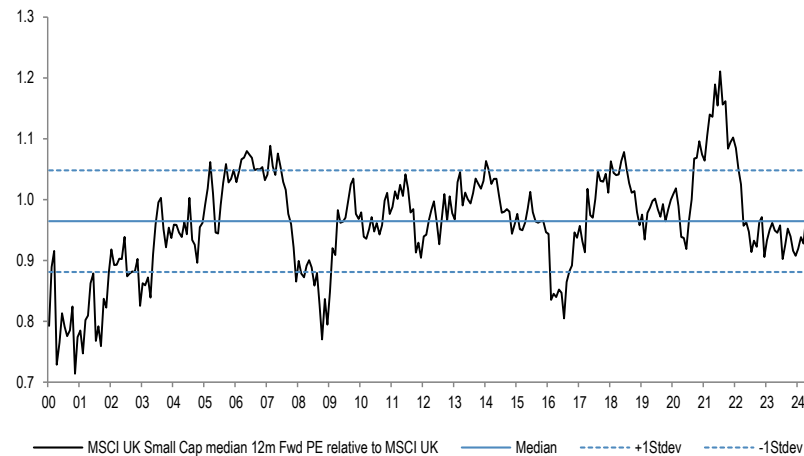
Source: Datastream

FTSE250 relative to FTSE100 and UK manufacturing PMI



Source: Datastream

MSCI UK Small cap P/E relative to MSCI UK

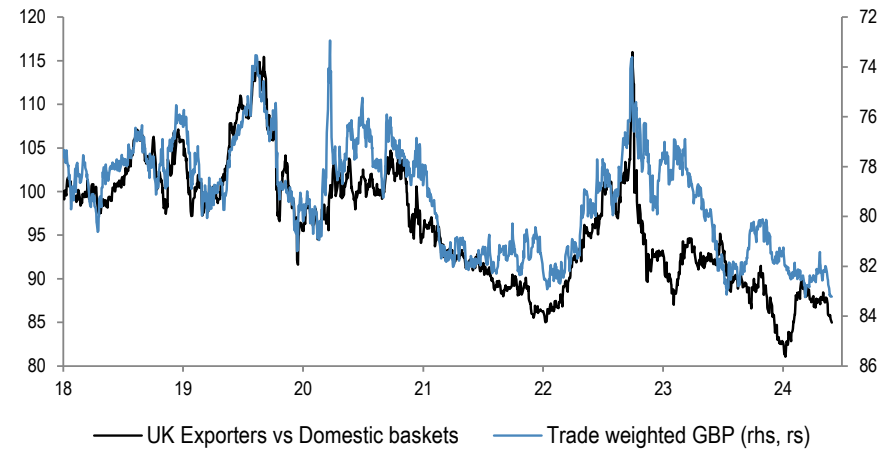


Source: Datastream

Stabilization in GBP is a tailwind for FTSE250 relative trade

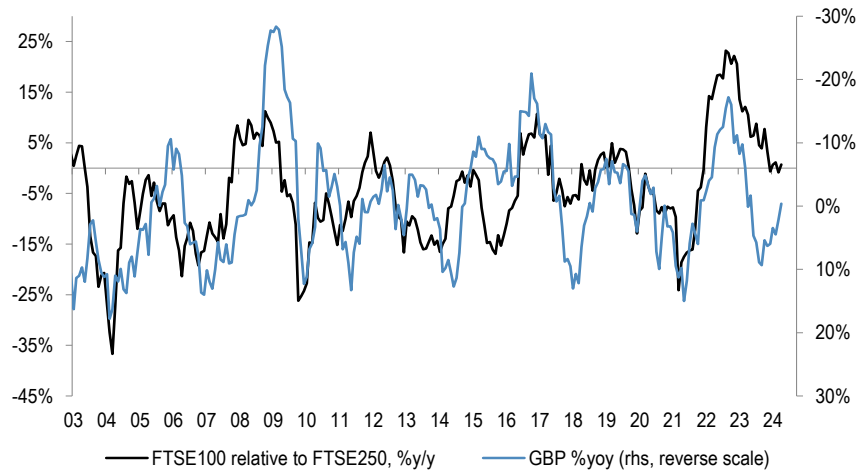
- Any stabilization in GBP should help the FTSE250 vs FTSE100 trade.

UK Exporters vs Domestic vs Trade-Weighted GBP



Source: J.P. Morgan Economics Research

FTSE100 relative to World and GBP



Source: Datastream

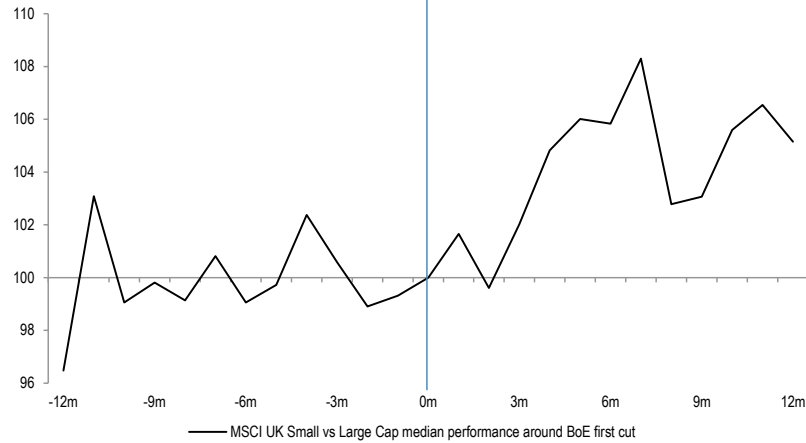
Foreign revenue exposure of FTSE100 and FTSE250

	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.

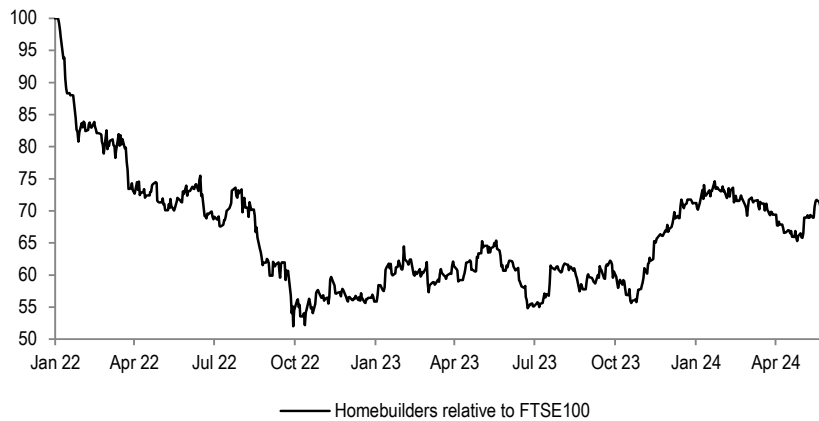
UK domestics tended to rally after BoE starts cutting rates

MSCI UK Small vs large cap performance around BoE first cut



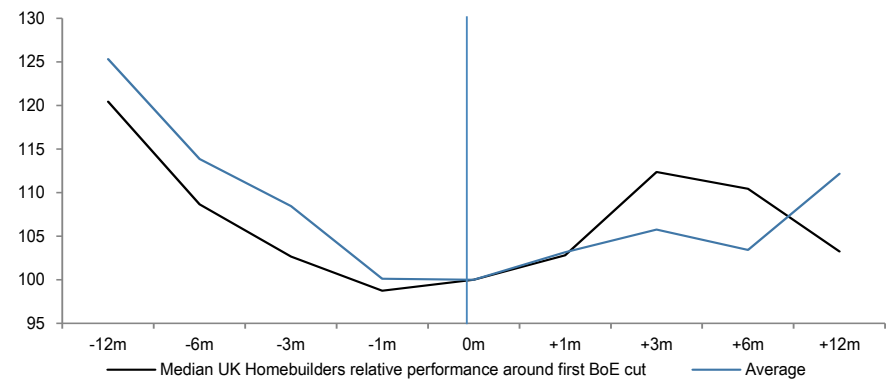
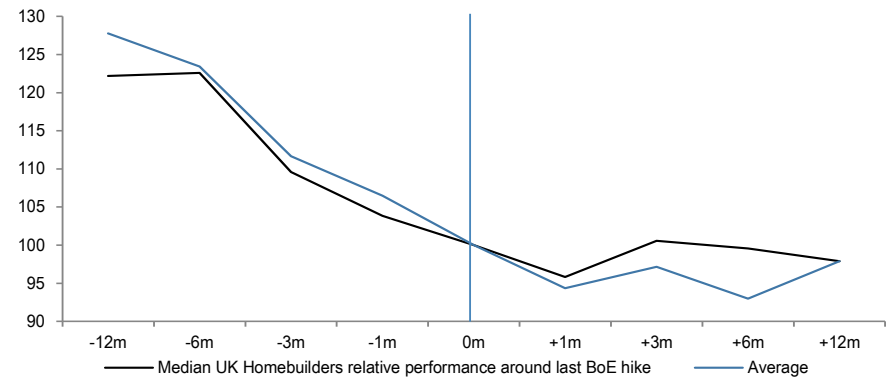
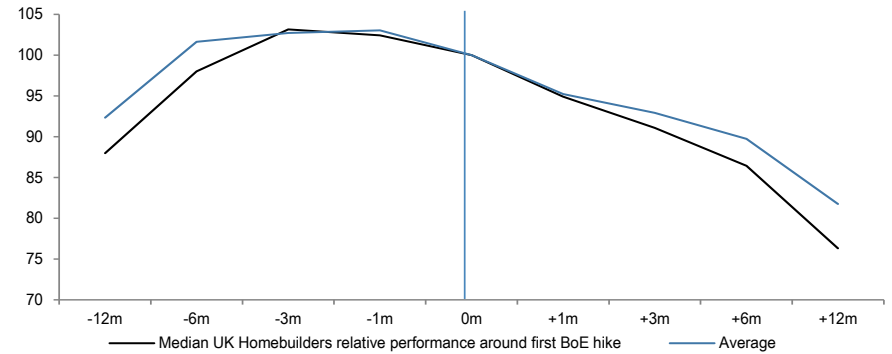
Source: Datastream

UK Homebuilders relative



Source: Datastream

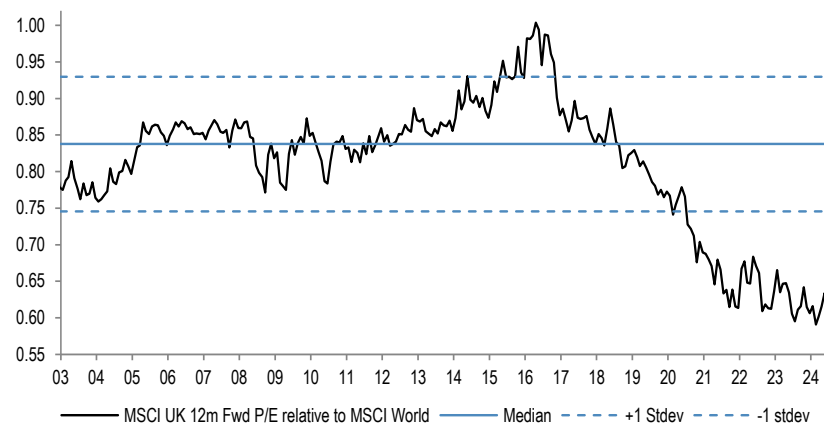
Median UK Homebuilders relative performance around first BOE hike, last BOE hike and first BOE cut



Source: Datastream

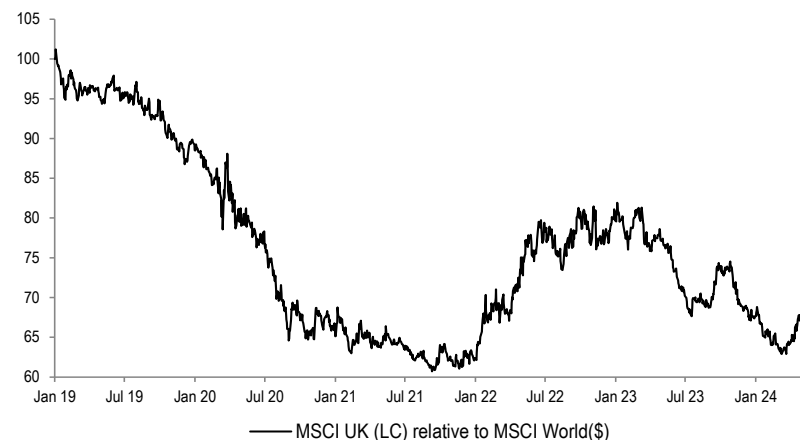
UK snapshot

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	7.4%	9.6%	100.0%	0.0%	11.6	-3.1%	2.0%	8.4%
Energy	6.4%	8.8%	13.8%	9.1%	7.7	-24.7%	3.5%	4.9%
Materials	8.1%	10.3%	10.6%	6.7%	12.9	15.7%	-2.9%	7.8%
Industrials	14.8%	15.8%	12.4%	1.1%	22.1	75.2%	7.8%	12.9%
Discretionary	-0.6%	0.5%	6.8%	-3.8%	18.5	42.2%	1.0%	18.4%
Staples	1.8%	3.7%	16.3%	9.6%	12.4	-8.9%	2.2%	7.2%
Healthcare	16.5%	18.4%	13.4%	1.4%	14.8	18.8%	8.8%	12.8%
Financials	9.8%	14.6%	18.6%	3.3%	8.1	-23.8%	-0.5%	7.8%
IT	-5.0%	-4.4%	1.0%	-22.2%	26.7	45.2%	10.5%	10.7%
Telecoms	6.6%	6.7%	2.4%	-5.1%	10.5	-7.9%	6.4%	11.9%
Utilities	-7.4%	-7.1%	3.9%	1.4%	11.8	-3.6%	-4.4%	4.8%
Real Estate	-1.7%	0.3%	0.8%	-1.4%	19.7	-2.0%	3.2%	4.8%
Cyclicals	8.6%	10.0%	30.8%	-18.3%	17.1	39.8%	1.3%	11.5%
Defensives	6.1%	7.7%	36.0%	7.3%	12.9	1.2%	3.8%	9.0%

Source: IBES, Datastream

3) Neutral Eurozone – in Q1 we took profits on OW US vs UW Eurozone... growth differential with the US is likely to start improving...

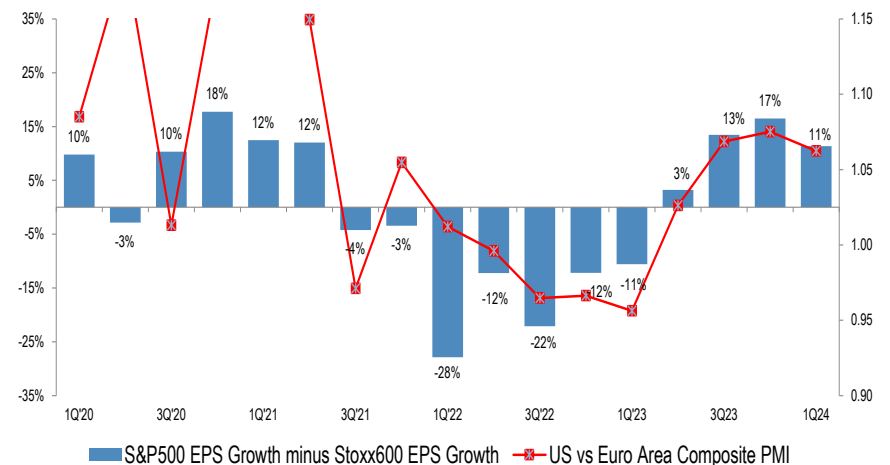
- Eurozone equities have lagged since last summer, underperforming the US equity market by as much as 17% since our downgrade in May '23.
- We believe that the worst of the relative underperformance of Eurozone equities is likely behind us and have in Q1 neutralized our preference of US equities over Eurozone.
- Among other considerations, we note that the growth differential between the two regions is converging, which will help relative EPS trends to bottom out.

MSCI Eurozone vs US relative performance



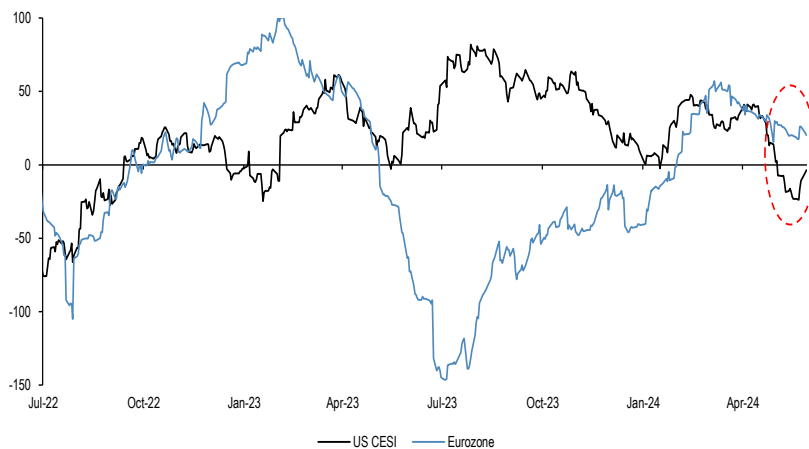
Source: Datastream

S&P500 EPS growth minus Stoxx600 EPS growth vs relative Composite PMI



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

US and Eurozone CESI

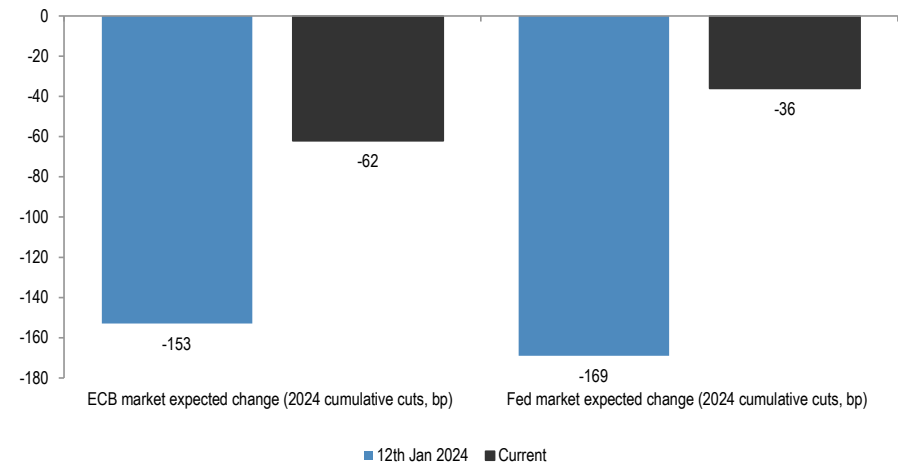


Source: : Bloomberg Finance L.P.

...at the same time, ECB may start cutting rates ahead of the Fed this time around, which would be very atypical... the region is underowned...

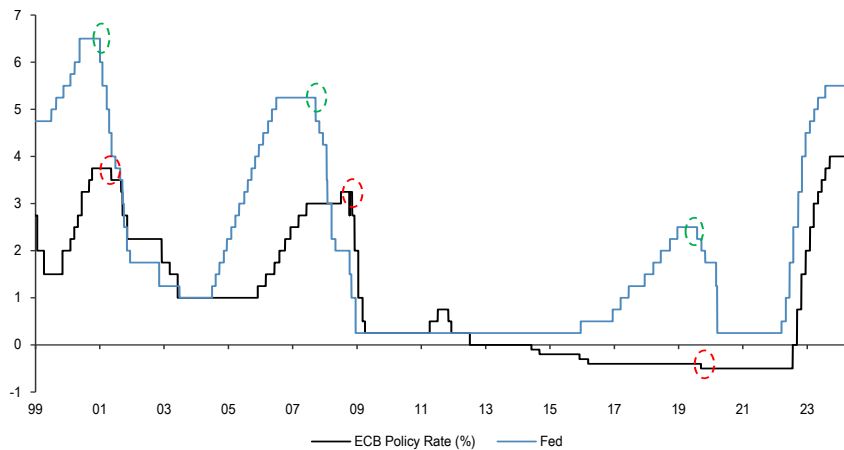
- ECB typically follows the Fed. However, there is an increasing chance that it moves ahead of the US this time around, and by a greater cumulative magnitude.
- Positioning is also relatively light, Eurozone has seen meaningful outflows in the past few quarters, in contrast to US inflows.

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



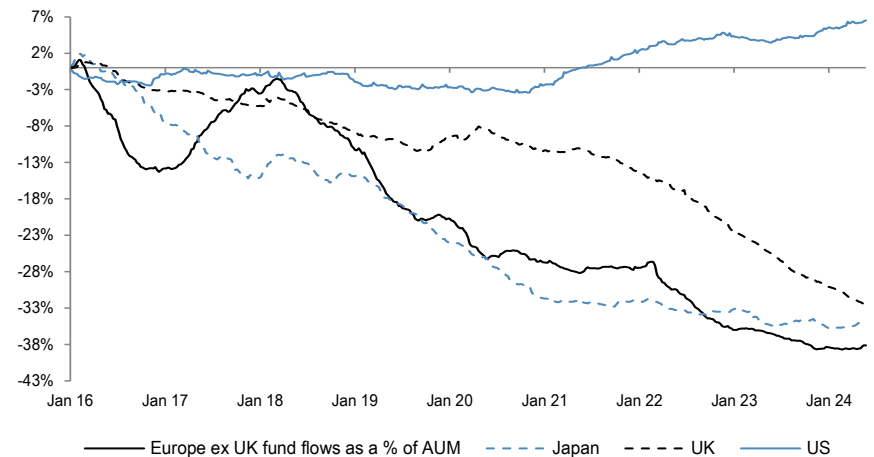
Source: Bloomberg Finance L.P.

Fed and ECB Policy rate



Source: Bloomberg Finance L.P.

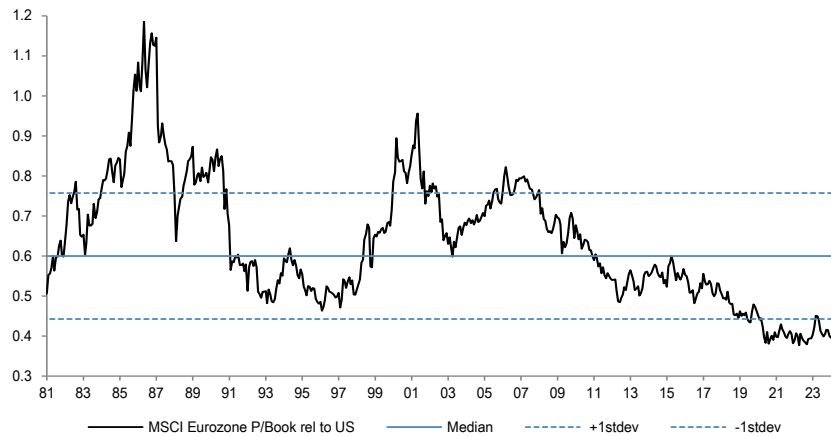
Cumulative fund flows into regional funds



Source: EPFR

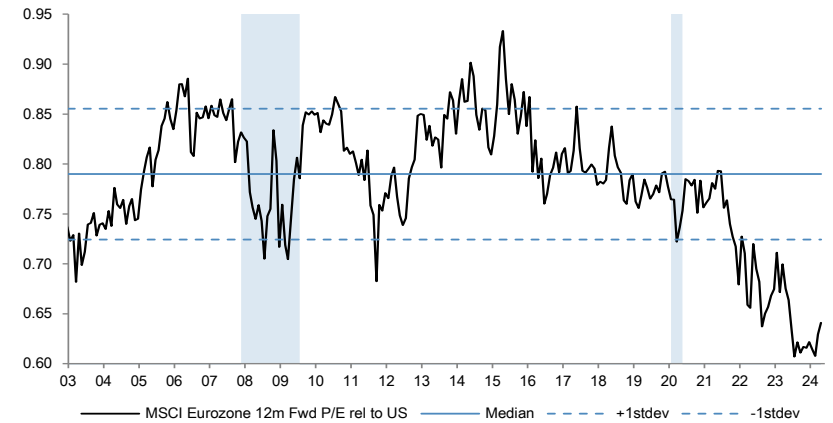
...Eurozone valuations relative to the US look very attractive...

MSCI Eurozone vs US P/Book



Source: Datastream

MSCI Eurozone 12m Fwd PE relative to US



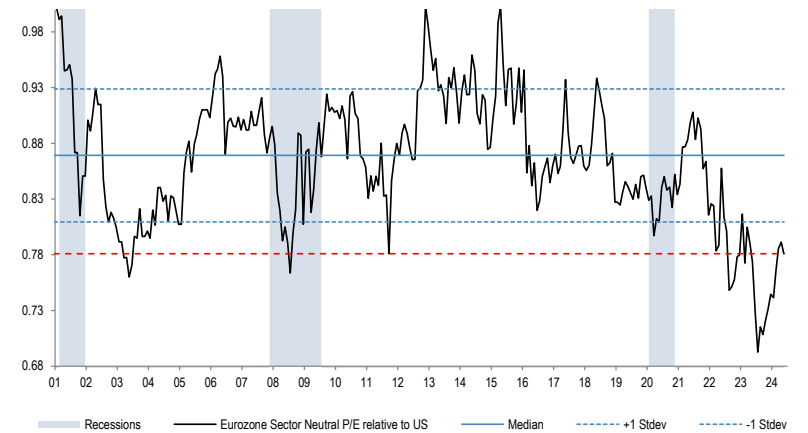
Source: IBES

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	29.1	2%	1.02	1.06	-3%
Staples	18.9	20.1	-6%	0.94	1.00	-6%
Materials	16.0	20.0	-20%	0.80	0.86	-7%
Industrials	17.6	21.6	-18%	0.82	0.89	-8%
Com Services	15.1	19.2	-21%	0.79	0.91	-13%
Utilities	12.6	17.2	-27%	0.73	0.89	-18%
Energy	7.5	12.0	-37%	0.63	0.76	-18%
Healthcare	14.6	19.0	-23%	0.77	0.94	-18%
Market	13.4	21.0	-36%	0.64	0.81	-21%
Real Estate	12.2	33.3	-63%	0.37	0.47	-22%
Discretionary	11.6	24.2	-52%	0.48	0.67	-28%
Financials	8.6	15.1	-43%	0.57	0.81	-30%

Source: IBES, Median since 1995

MSCI Eurozone sector neutral P/E vs US



Source: IBES

...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

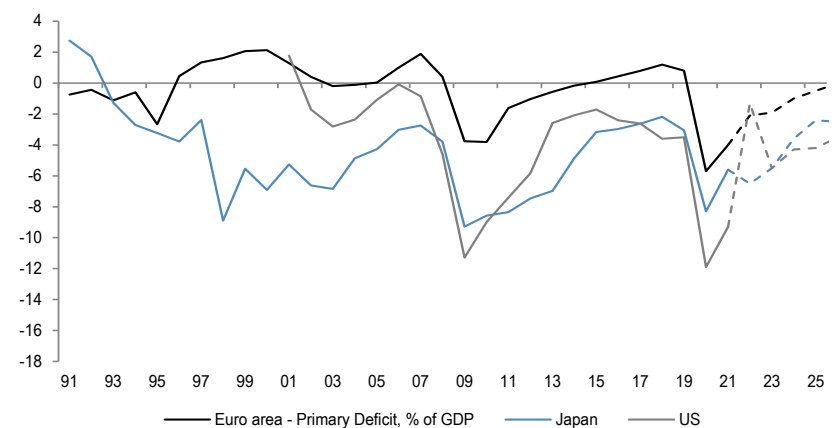
Source: IMF FISCAL MONITOR - October 2023

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

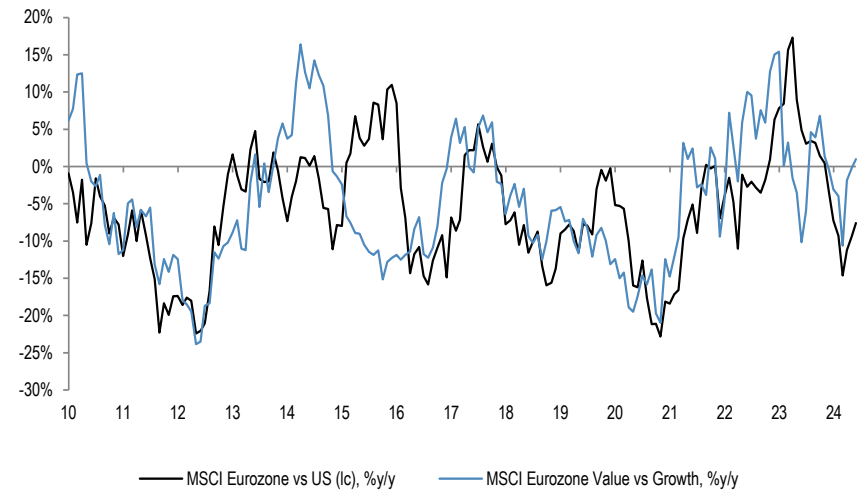


Source: IMF FISCAL MONITOR - October 2023
dotted lines show IMF forecasts

Eurozone relative performance has in the past tracked bond yields, Value/Growth style, and could be helped by our more bullish China call

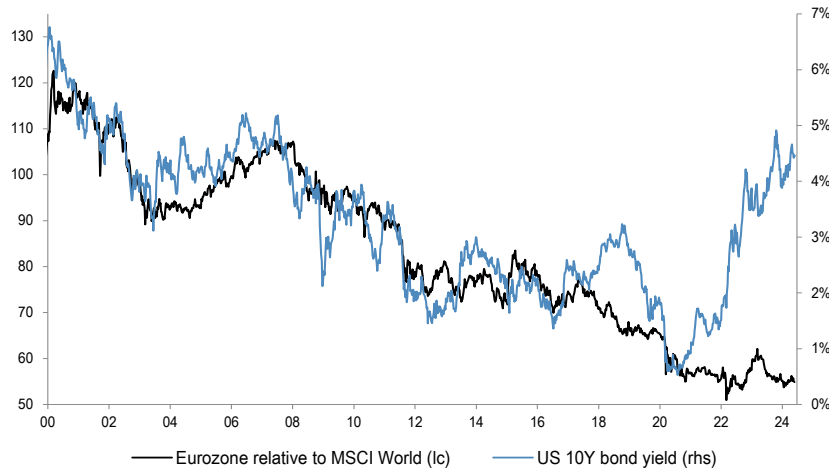
- US is more weighted towards Growth/Quality stocks, which are trading stretched and are at a risk of reversal.
- Eurozone is a play on China, where we have tactically closed our longstanding bearish call.

Eurozone vs US and Value vs Growth



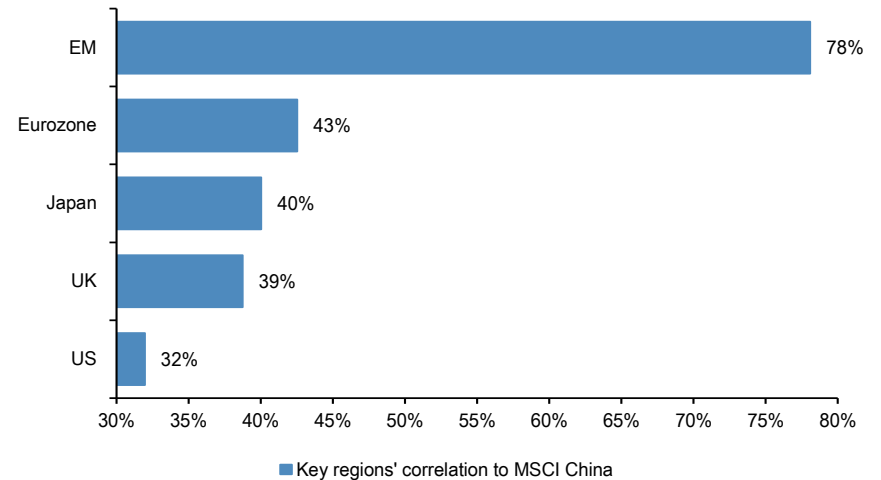
Source: Datastream

Eurozone relative to World and bond yields



Source: Datastream

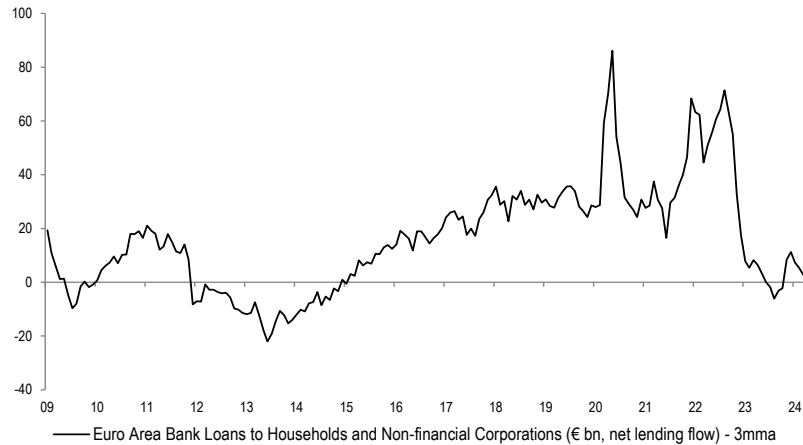
Key regions correlation to MSCI China



Source: Datastream

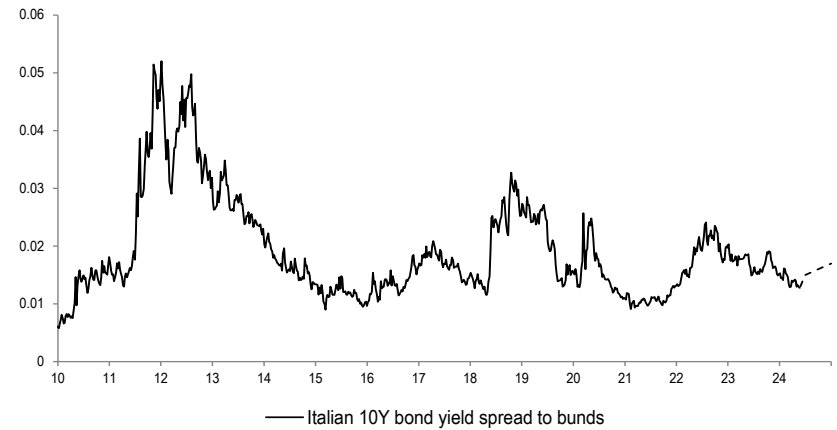
ECB remains a backstop against any material widening in peripheral spreads

Eurozone bank loans to HH and nonfinancial corporates



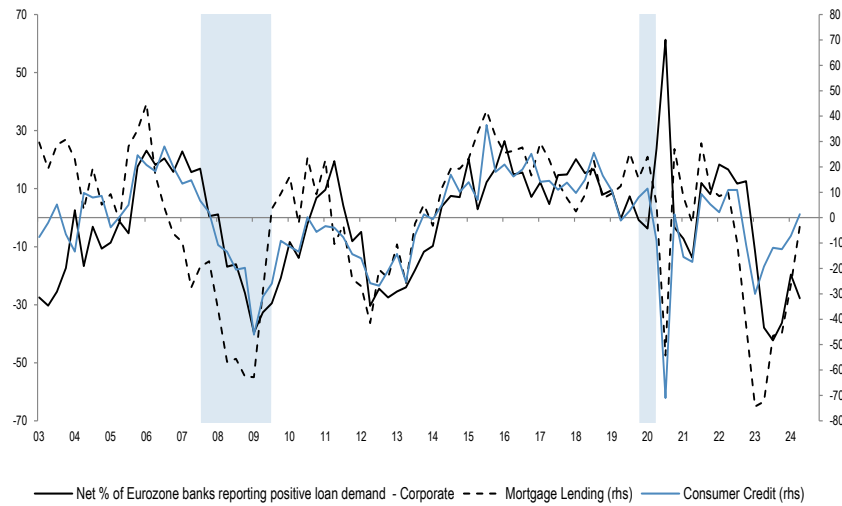
Source: ECB, J.P. Morgan

Peripheral spreads with JPM forecast



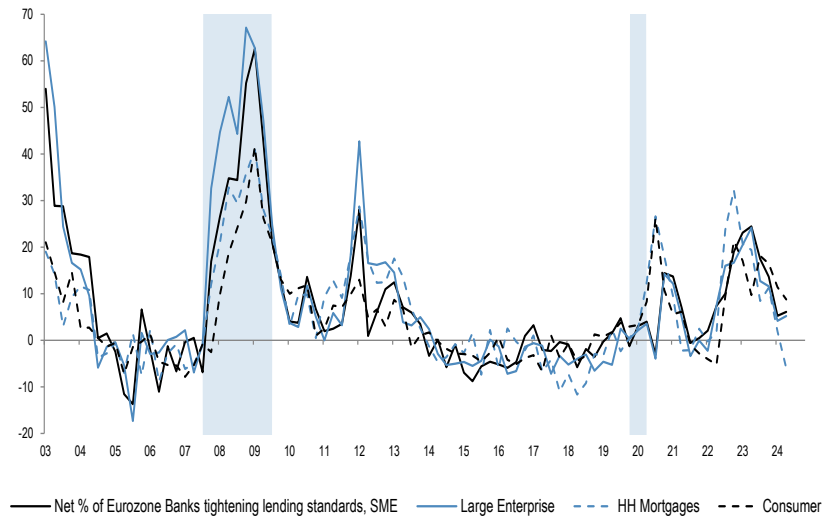
Source: Bloomberg Finance L.P., JPMorgan

% Eurozone banks reporting positive loan demand



Source: ECB

% of Eurozone banks tightening lending standards

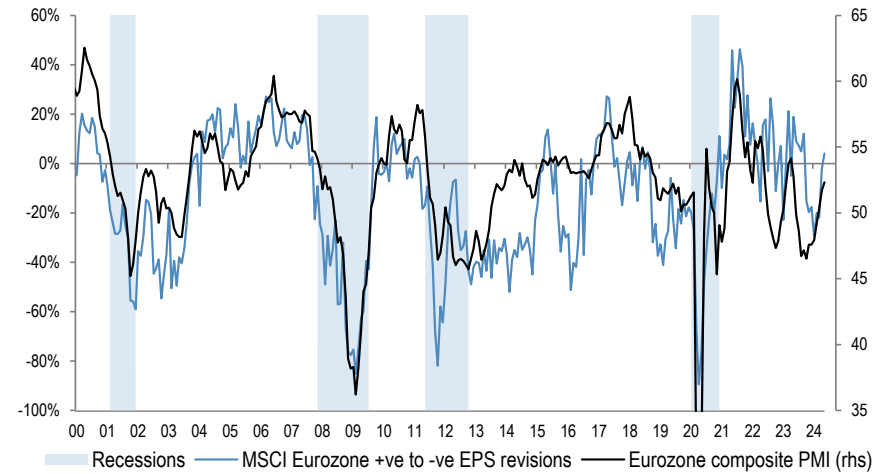


Source: ECB

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

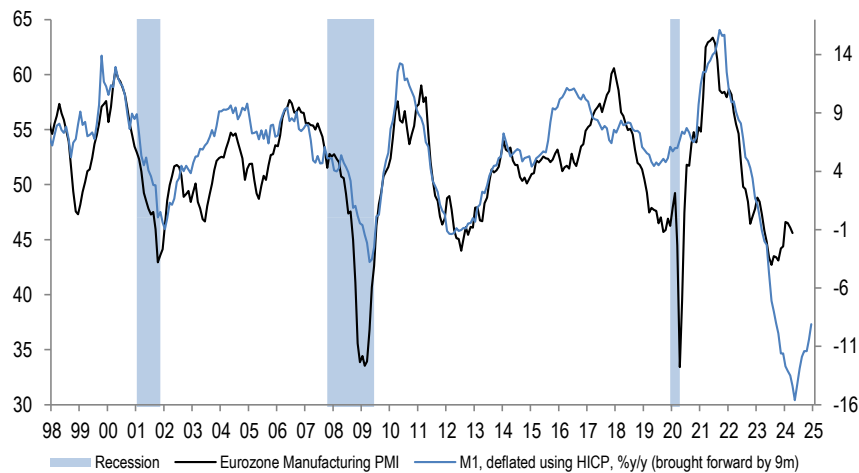
- We are not turning OW Eurozone yet as we fear further overall market pullback during the summer, softening macro activity and are still long Growth vs Value style.
- GDP projections are broadly consistent with flattish earnings growth for the region.

Eurozone EPS revisions and composite PMI



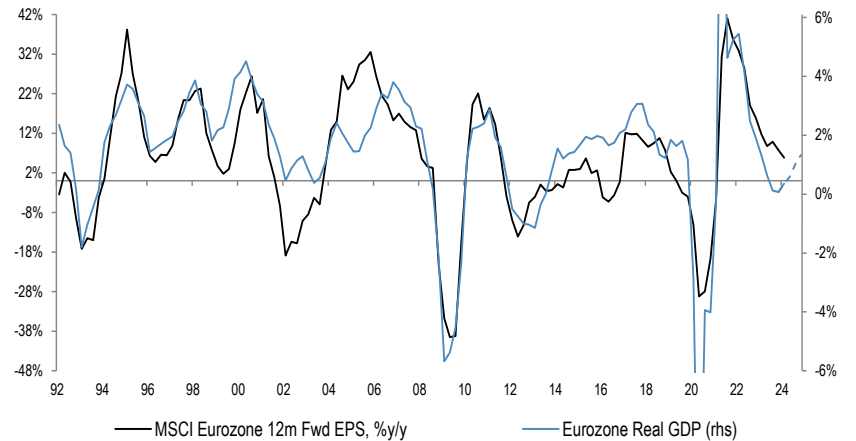
Source: IBES, S&P Global

Eurozone M1 growth (deflated by HICP) vs PMI



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

Eurozone earnings vs GDP growth

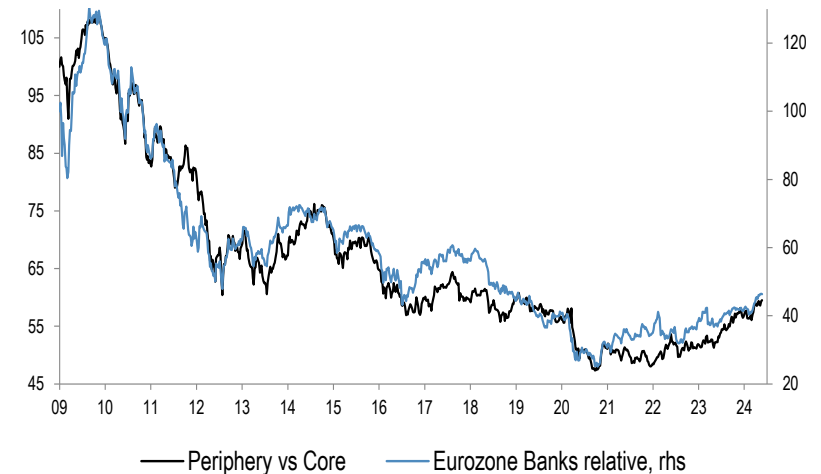


Source: Datastream

Within Eurozone, we now prefer core over periphery

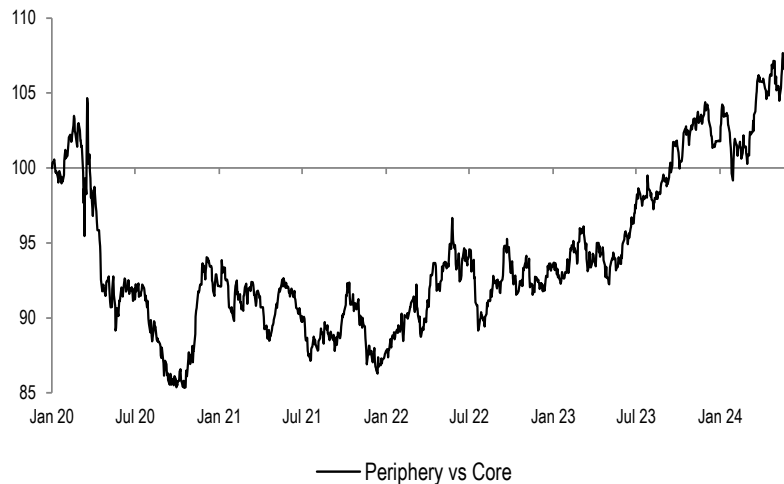
- Given the meaningful weight of Banks in Italy and in Spain, performance of Periphery vs Core is closely linked to the performance of Banks relative.
- Periphery has done better than core markets in recent years, but that might not last.
- Spanish equities have underperformed Italian equities by almost 15% since 2022 summer and should perform better 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

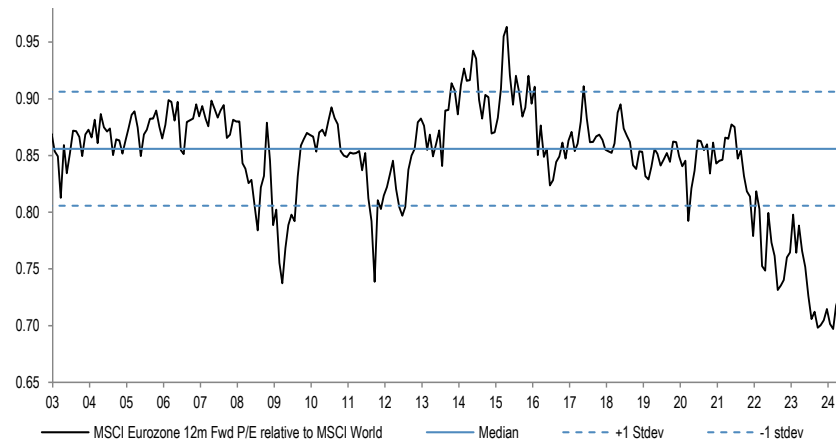
MSCI Spain relative to MSCI Italy



Source: Datastream

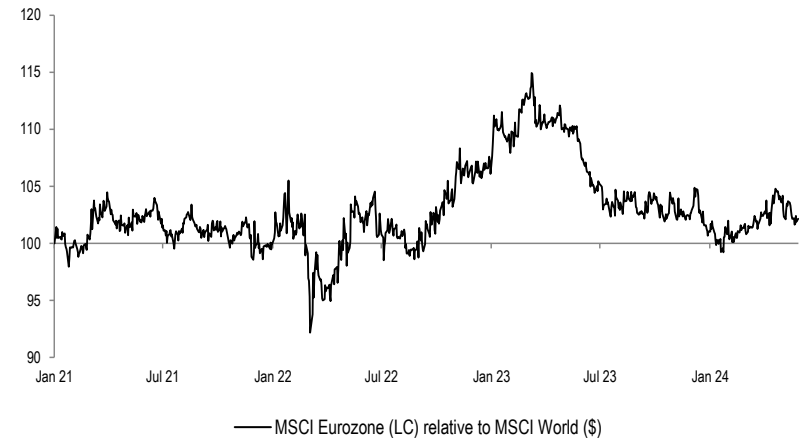
Eurozone snapshot

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	10.6%	13.1%	100%	0%	13.4	11.8%	3.7%	10.4%
Energy	4.5%	7.0%	4%	0%	6.9	-29.1%	-9.2%	0.3%
Materials	3.0%	5.7%	5%	1%	14.8	21.5%	15.9%	20.0%
Industrials	16.0%	17.9%	17%	6%	16.2	23.1%	15.5%	14.0%
Discretionary	8.3%	10.7%	15%	5%	10.7	-12.4%	1.1%	10.0%
Staples	1.2%	2.8%	7%	1%	17.4	17.7%	3.9%	10.9%
Healthcare	3.3%	5.3%	7%	-5%	13.4	-6.4%	3.7%	15.7%
Financials	17.1%	22.0%	19%	4%	7.9	-19.7%	7.8%	6.6%
IT	21.5%	22.3%	14%	-10%	27.2	56.4%	-12.1%	37.2%
Telecoms	6.0%	7.8%	4%	-3%	13.9	19.6%	11.7%	11.8%
Utilities	-1.6%	1.4%	5%	3%	11.6	1.3%	-4.8%	-2.9%
Real Estate	3.3%	7.4%	1%	-1%	12.2	-20.5%	4.2%	2.1%
Cyclicals	13.5%	15.4%	38%	12%	15.2	14.3%	4.6%	16.7%
Defensives	1.9%	4.0%	24%	-5%	13.9	6.9%	2.2%	7.9%

Source: IBES, Datastream

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

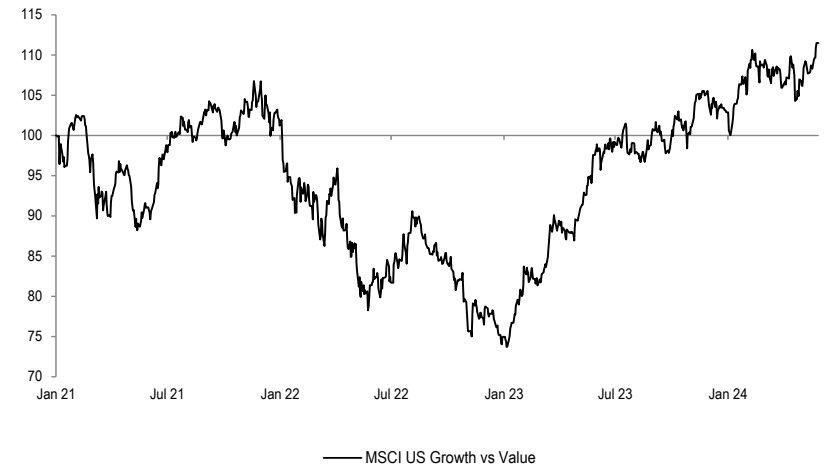
- We entered 2024 long Quality Growth. This naturally favours the US, but post the strong rally, US equities appear stretched and there is a concentration risk, as well as a potential for momentum reversal.
- Relative valuations are a clear challenge, where the region is trading extremely expensive versus peers.

MSCI US 12m Fwd. P/E relative



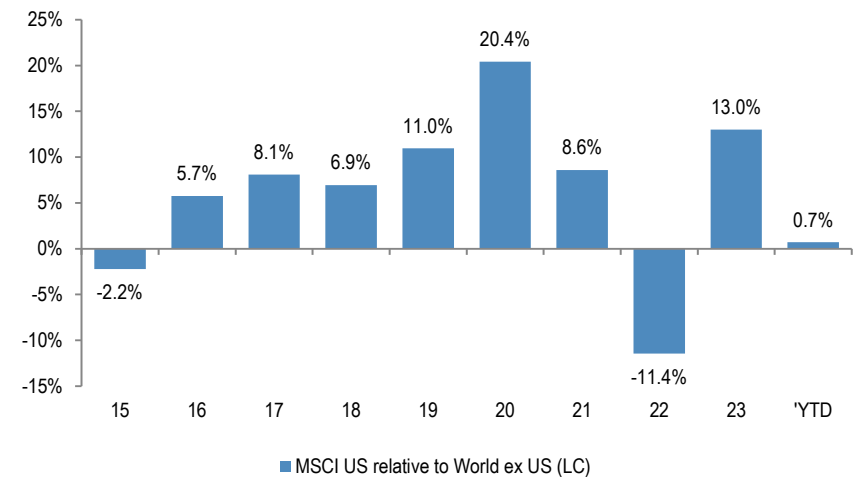
Source: IBES

US Growth vs Value



Source: J.P. Morgan

MSCI US relative to MSCI World ex US

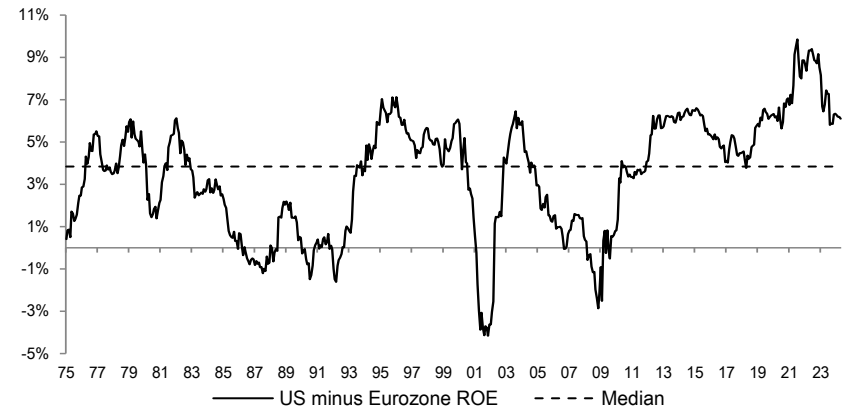


Source: IBES

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

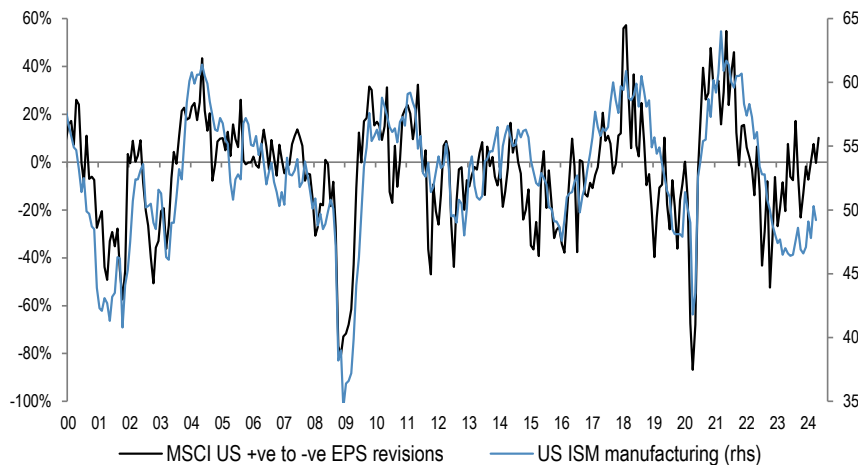
- US profitability vs the rest of the world might be peaking. The earnings base is very extended, too.
- US earnings revisions display a clear correlation to activity momentum and are likely to stay negative if ISM stays subdued.

US relative to Eurozone ROE



Source: Datastream

MSCI US EPS revisions and ISM



Source: IBES, S&P Global

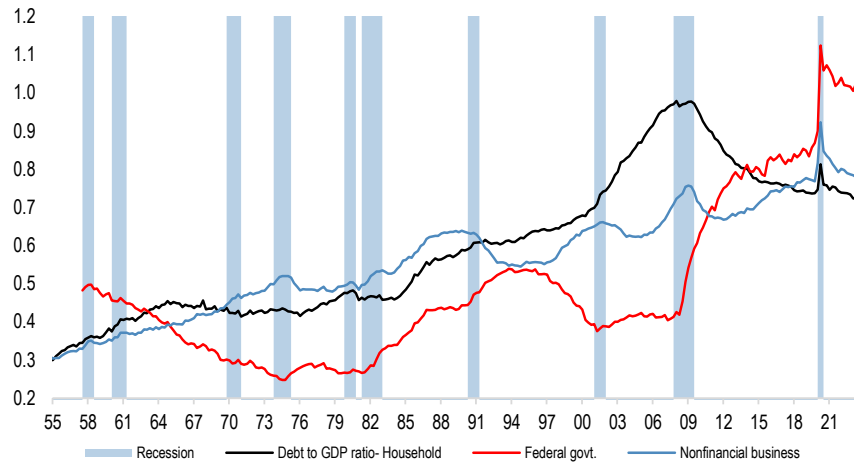
MSCI US 12m Fwd. EPS relative



Source: IBES

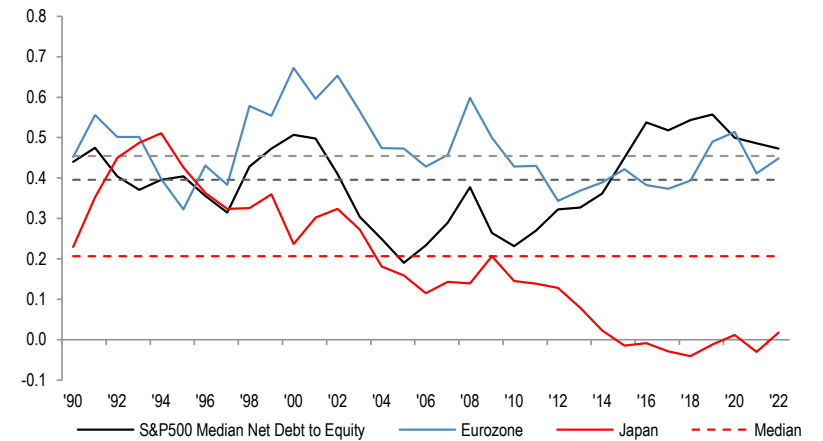
...past growth resilience was helped by fiscal stimulus... US government balances are stretched given this

US debt, share of GDP



Source: J.P. Morgan

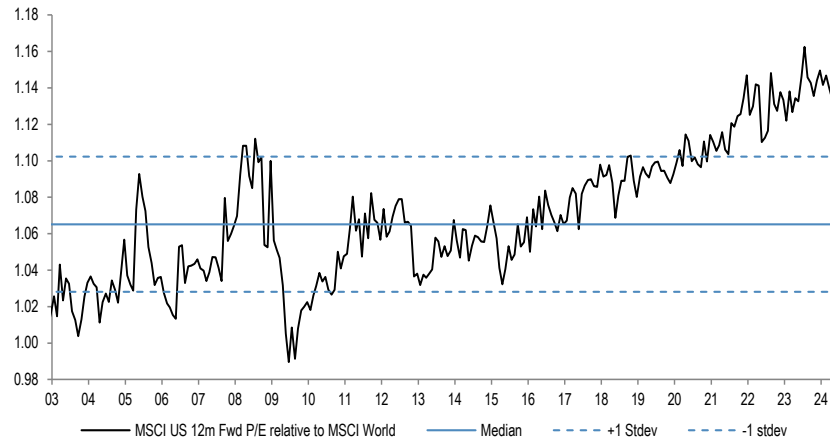
Median net debt to equity of US, Europe and Japan



Source: Worldscope

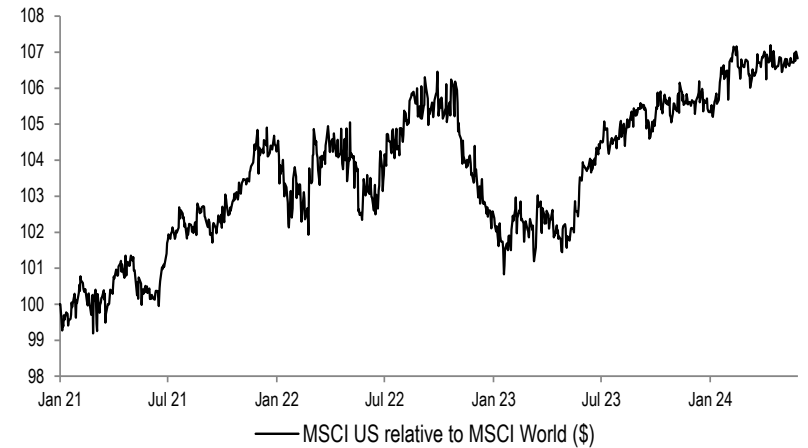
US snapshot

MSCI US 12m Fwd PE relative to MSCI World



Source: IBES

MSCI US performance relative to MSCI World



Source: Datastream

US Sector snapshot

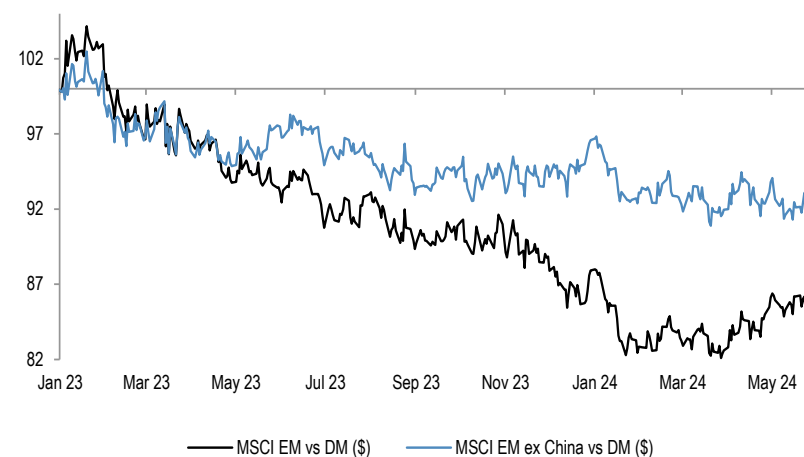
	YTD Perf, %	YTD Total Return, %	Weight in Index		12m Fwd P/E		EPS growth, %	
			US	vs MSCI World	Current	vs Median since '06	2024e	2025e
US	11.0%	11.6%	100.0%	0.0%	21.0	32.2%	10.3%	14.3%
Energy	8.1%	9.7%	4.1%	-0.5%	12.0	-5.9%	-9.1%	9.4%
Materials	6.1%	6.7%	2.4%	-1.5%	20.0	29.5%	-2.4%	16.4%
Industrials	9.3%	9.9%	9.1%	-2.2%	21.6	33.0%	6.8%	14.5%
Discretionary	1.0%	1.2%	10.4%	-0.2%	24.2	28.0%	15.3%	16.1%
Staples	8.0%	9.0%	6.0%	-0.6%	20.1	13.8%	4.2%	7.9%
Healthcare	5.4%	6.1%	12.1%	0.2%	19.0	18.5%	8.5%	18.6%
Financials	10.7%	11.5%	13.0%	-2.4%	15.1	18.9%	9.9%	11.0%
IT	17.9%	18.2%	29.2%	5.9%	29.1	71.0%	17.2%	18.9%
Telecoms	20.2%	20.6%	9.2%	1.6%	19.2	22.4%	23.9%	12.8%
Utilities	13.7%	15.3%	2.3%	-0.2%	17.2	7.9%	12.9%	8.0%
Real Estate	-7.5%	-6.4%	2.2%	0.0%	33.3	-13.0%	1.6%	8.8%
Cyclicals	12.3%	12.7%	21.9%	-4.0%	25.9	50.6%	13.2%	17.2%
Defensives	10.9%	11.7%	29.6%	0.9%	19.1	16.9%	12.4%	13.8%

Source: IBES, Datastream

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

- EM equities have underperformed DM by 10% last year and have continued to lag this year. Higher for longer Fed, weak EPS revisions and strong USD are the concerns. 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.

EM vs DM and EM ex China vs DM



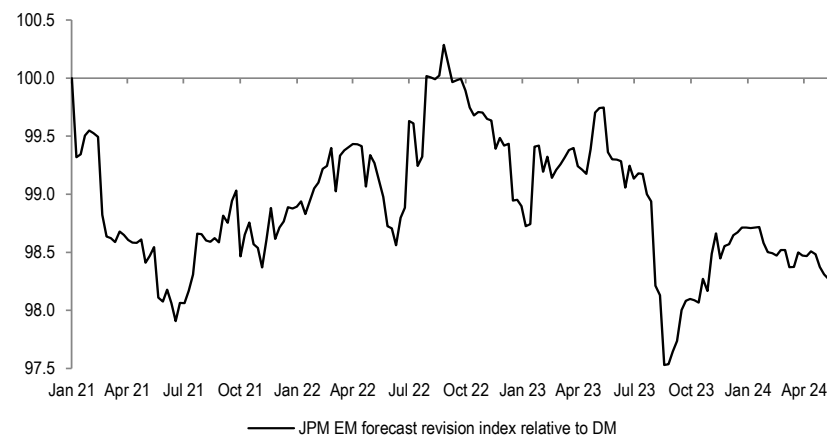
Source: Datastream

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	39%	-3%	-5%
EM ex China outperforms DM and China underperform DM	12%	1%	-2%
EM ex China underperforms DM and China outperforms DM	11%	-1%	3%

Source: Datastream

EM vs DM forecast revision index

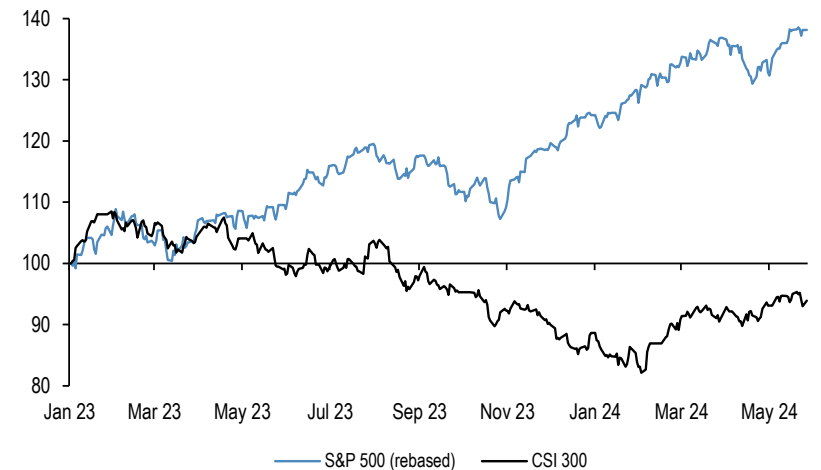


Source: IBES

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

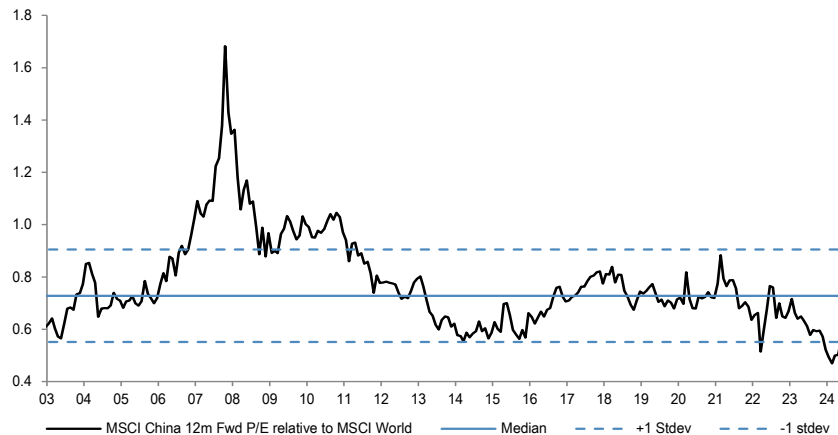
- Tactically, our call is for China to trade better given the strong past underperformance, light positioning and more aggressive policy support.
- Longer term though, a number of structural overhangs could remain significant for the region, and the geopolitics could become more problematic again from November.

SPX vs CSI



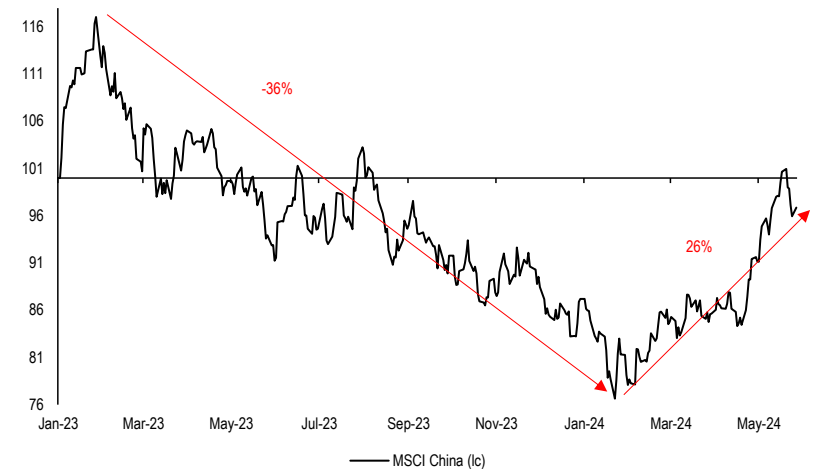
Source: Datastream

MSCI China 12m Fwd PE relative



Source: IBES

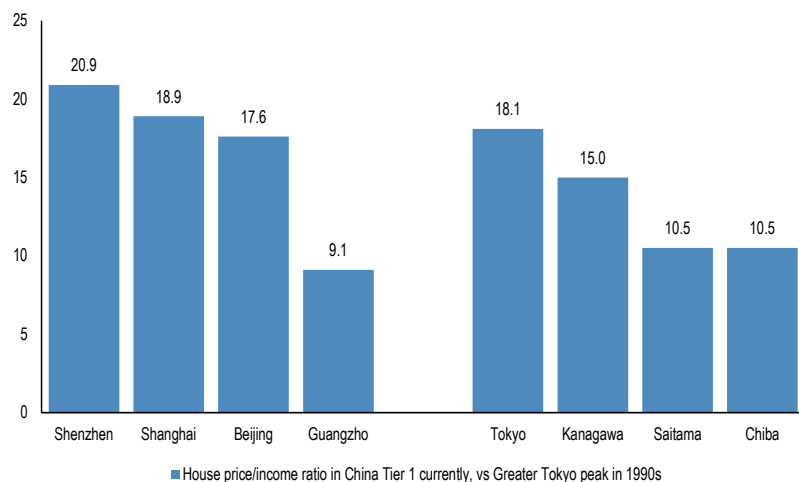
MSCI China



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



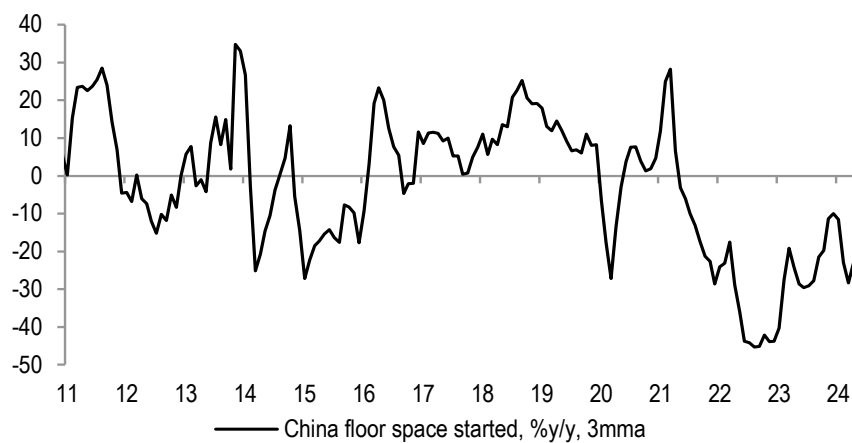
Source: J.P. Morgan China Strategy

China CPI



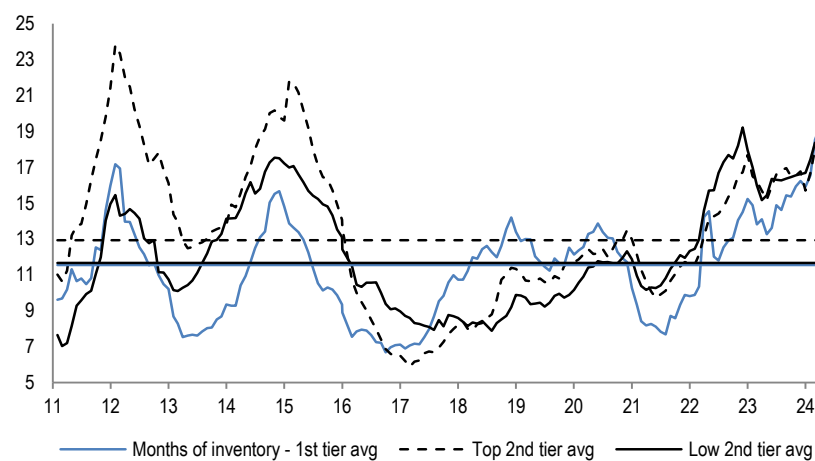
Source: Bloomberg Finance L.P.

China floor space started



Source: JPM China Economics Research

China property inventory



Source: Soufun, CREIS

China heat map

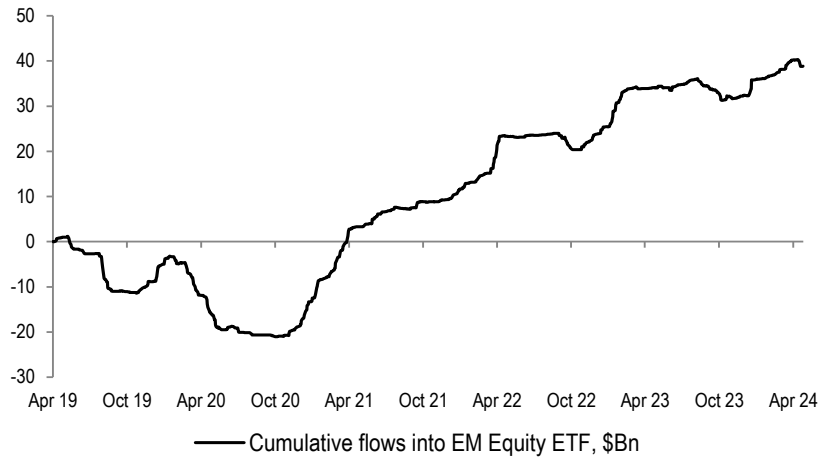
Chinese data watch													
	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
Manufacturing PMI													
Caixan	49.5	50.9	50.5	49.2	51.0	50.6	49.5	50.7	50.8	50.8	50.9	51.1	51.4
NBS	49.2	48.8	49.0	49.3	49.7	50.2	49.5	49.4	49.0	49.2	49.1	50.8	50.4
Services PMI													
Caixan	56.4	57.1	53.9	54.1	51.8	50.2	50.4	51.5	52.9	52.7	52.5	52.7	52.5
NBS	56.4	54.5	53.2	51.5	51.0	51.7	50.6	50.2	50.4	50.7	51.4	53.0	51.2
Composite PMI - Caixan													
	53.6	55.6	52.5	51.9	51.7	50.9	50.0	51.6	52.6	52.5	52.5	52.7	52.8
Industry													
Electricity Production, %oya	6.1%	5.6%	2.8%	3.6%	1.1%	7.7%	5.2%	8.4%	8.0%	-	-	2.8%	3.1%
IP, %oya	5.6%	3.5%	4.4%	3.7%	4.5%	4.5%	4.6%	6.6%	6.8%	-	-	4.5%	6.7%
FAI, %oya	4.7%	4.0%	3.8%	3.4%	3.2%	3.1%	2.9%	2.9%	3.0%	-	4.2%	4.5%	4.2%
Consumer Activity													
Retail Sales, %oya	18.4%	12.7%	3.1%	2.5%	4.6%	5.5%	7.6%	10.1%	7.4%	-	-	3.1%	2.3%
Passenger Car Sales, %yoy	87.7%	26.4%	2.1%	-3.4%	6.9%	6.7%	11.5%	25.5%	23.3%	44.0%	-19.4%	10.9%	10.5%
70-city house price index, %oya	-0.7%	-0.5%	-0.4%	-0.6%	-0.6%	-0.6%	-0.6%	-0.7%	-0.9%	-1.2%	-1.9%	-2.7%	-3.5%
Liquidity & Monetary Conditions													
M2, %oya	12.4%	11.6%	11.3%	10.7%	10.6%	10.3%	10.3%	10.0%	9.7%	8.7%	8.7%	8.3%	7.2%
FX Reserves (bln yuan)	3205	3177	3193	3204	3160	3115	3101	3172	3238	3219	3226	3246	3201
New Loan Creation (bln yuan)	719	1360	3050	346	1358	2312	738	1089	1171	4914	1456	3089	731

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

EM valuations appear 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

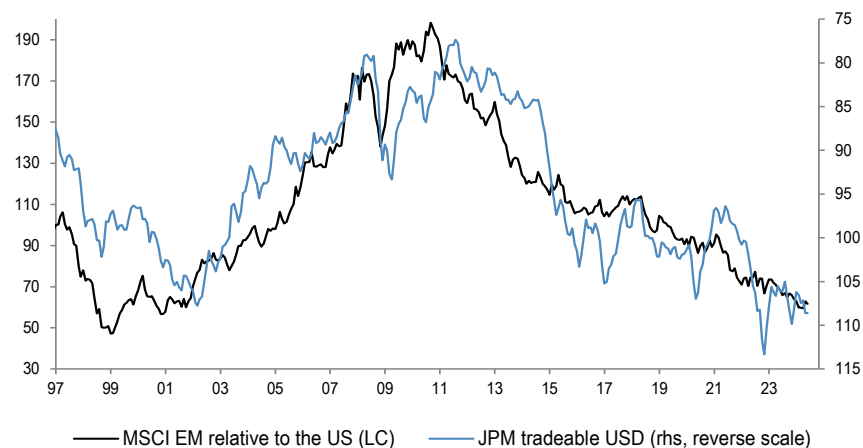


Source: IBES

The one key driver of EM remains the USD...

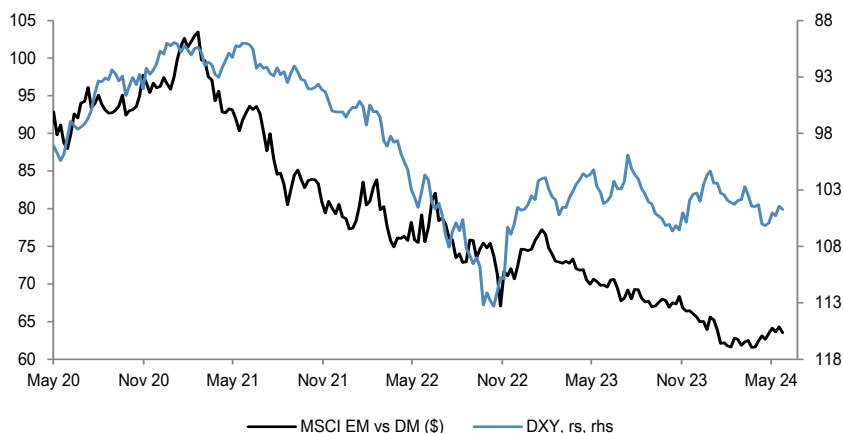
- FX is an important consideration for EM equity performance. One needs USD to fall in order for EM to perform better. Some of these conditions could be coming through, but likely only after the Fed starts cutting rates.

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, Indonesia, Saudi and Mexico

- Brazil – Growth should improve post rate-cuts; , attractive valuation, and positive optionality to global factors: strong PMI, China and commodity prices
- China – Positioning for tactical rally on policy stimulus, low investor positioning, attractive valuations. Option value if property prices and construction activity stabilize in 2H24.
- India – Attractive risk-adjusted returns to DM, positive seasonality to elections and constructive structural trends. Potential inflows from bond index inclusion.
- Indonesia – Continuation of key policy following election results. Positive on the FDI outlook: nickel exports, EV ecosystem and cloud / AI infrastructure.
- Saudi Arabia – Structural growth on demographics, CA surplus, govt capex and lower US bond yields. Unique to EM funds: USD peg, under positioning, and optionality to geopolitical risk (e.g., oil spike).
- Mexico – Strong FX drivers - carry, inbound FDI / near shoring – and positive domestic growth – employment and wages. Attractive valuations and upward earnings revisions.

EM Countries' Rating and Performance Snapshot

	Weight in MSCI EM	JPM Rating	YTD performance	
			L.C	US\$
CHINA	27%	OW	11.1%	10.8%
INDIA	18%	OW	11.7%	11.8%
TAIWAN (CHINA)	17%	N	27.0%	21.1%
KOREA	12%	N	2.4%	-3.3%
BRAZIL	5%	OW	-10.0%	-15.6%
SAUDI ARABIA	4%	OW	-4.8%	-4.8%
SOUTH AFRICA	3%	UW	1.0%	0.7%
MEXICO	3%	OW	-4.9%	-3.2%
INDONESIA	2%	OW	-8.6%	-12.4%
THAILAND	1%	N	-3.2%	-9.8%
MALAYSIA	1%	UW	9.6%	7.2%
UAE	1%	N	-10.4%	-10.4%
POLAND	1%	N	8.2%	8.4%
TURKEY	1%	N	52.1%	39.6%
PHILIPPINES	1%	UW	1.0%	-3.8%
MSCI EM			8.9%	6.5%

Source: Datastream, J.P. Morgan

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

	EPS growth	
	24e	25e
CHINA	14%	13%
INDIA	10%	16%
TAIWAN (CHINA)	22%	20%
KOREA	99%	27%
BRAZIL	1%	4%
SAUDI ARABIA	19%	16%
SOUTH AFRICA	12%	21%
MEXICO	29%	15%
INDONESIA	1%	8%
THAILAND	13%	15%
MALAYSIA	13%	8%
UAE	-4%	3%
POLAND	-11%	12%
TURKEY	6%	37%
PHILIPPINES	11%	10%
MSCI EM	20%	15%

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	27%	11.1%	10.8%	10.4	11.2	-7%	1.4	1.6	-16%	14%	13%
INDIA	18%	11.7%	11.8%	22.0	18.3	20%	4.2	3.2	34%	10%	16%
TAIWAN (CHINA)	17%	27.0%	21.1%	17.8	13.8	29%	3.0	1.9	54%	22%	20%
KOREA	12%	2.4%	-3.3%	10.3	10.1	2%	1.1	1.0	9%	99%	27%
BRAZIL	5%	-10.0%	-15.6%	7.7	10.9	-29%	1.5	1.6	-10%	1%	4%
SAUDI ARABIA	4%	-4.8%	-4.8%	16.7	16.9	-2%	2.2	2.0	12%	19%	16%
SOUTH AFRICA	3%	1.0%	0.7%	9.5	12.9	-26%	1.6	2.1	-22%	12%	21%
MEXICO	3%	-4.9%	-3.2%	12.5	14.7	-15%	2.1	2.2	-4%	29%	15%
INDONESIA	2%	-8.6%	-12.4%	11.7	14.7	-20%	2.2	2.7	-19%	1%	8%
THAILAND	1%	-3.2%	-9.8%	16.0	15.2	6%	1.7	2.0	-15%	13%	15%
MALAYSIA	1%	9.6%	7.2%	14.2	15.3	-8%	1.5	1.7	-11%	13%	8%
UAE	1%	-10.4%	-10.4%	8.4	11.0	-23%	1.3	1.5	-16%	-4%	3%
POLAND	1%	8.2%	8.4%	9.7	11.5	-16%	1.3	1.3	2%	-11%	12%
TURKEY	1%	52.1%	39.6%	5.3	6.3	-15%	1.7	1.3	36%	6%	37%
PHILIPPINES	1%	1.0%	-3.8%	11.6	16.7	-30%	1.7	2.1	-20%	11%	10%
CHILE	0%	5.8%	2.7%	10.8	14.6	-27%	1.3	1.6	-18%	-3%	20%

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	6.4%	7.5%	100%	0%	12.5	10%	20%	15%
Energy	8.3%	10.6%	5%	1%	8.9	14%	-11%	2%
Materials	-2.3%	-1.3%	7%	3%	13.2	26%	26%	26%
Industrials	6.9%	7.7%	7%	-4%	14.3	18%	21%	16%
Discretionary	9.0%	9.7%	13%	2%	13.2	6%	23%	18%
Staples	-3.8%	-3.2%	6%	-1%	20.1	0%	27%	16%
Healthcare	-8.9%	-8.7%	3%	-9%	25.0	22%	16%	28%
Financials	3.4%	5.1%	22%	7%	8.1	-10%	10%	8%
IT	14.2%	14.7%	23%	0%	17.4	32%	63%	31%
Telecoms	10.0%	11.0%	9%	2%	15.7	12%	21%	15%
Utilities	12.2%	13.4%	3%	0%	11.9	6%	48%	9%
Real Estate	-0.3%	1.6%	2%	-1%	10.7	45%	24%	14%
Cyclicals	9.2%	9.9%	50%	1%	15.0	23%	37%	23%
Defensives	3.0%	3.8%	21%	-8%	17.2	11%	27%	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%	Underweight
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	-6%

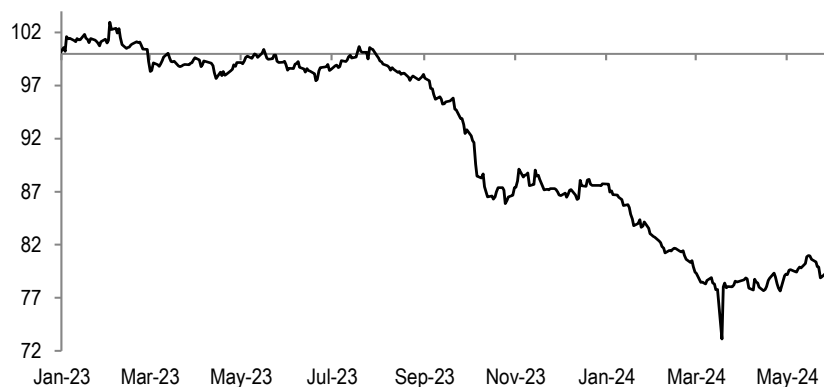
Source: J.P. Morgan, Datastream. *As of COB 30th May, 2024

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

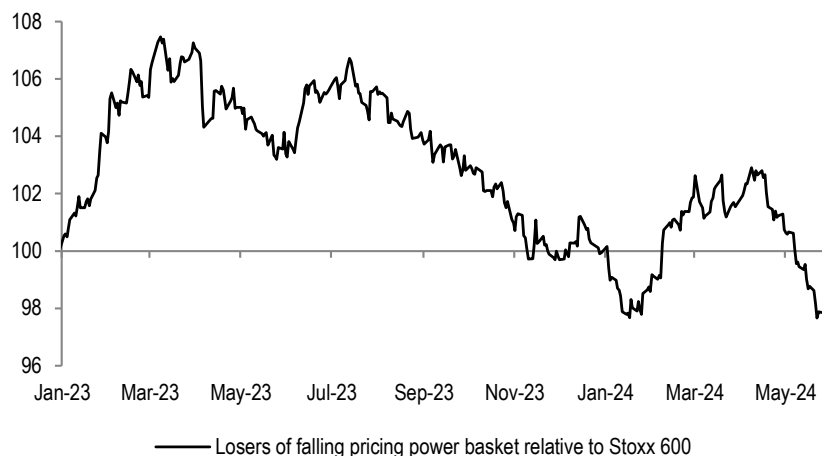
Name	Ticker	Sector
Publicis Groupe SA	PUB FP	Comm. Svcs
WPP PLC	WPP LN	Comm. Svcs
Ubisoft Entertainment SA	UBI FP	Comm. Svcs
Electrolux AB	ELUXB SS	Discretionary
Amadeus IT Group SA	AMS SM	Discretionary
Renault SA	RNO FP	Discretionary
Stellantis NV	STLAM IM	Discretionary
H & M Hennes & Mauritz AB	HMB 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 stretched and are at risk of contracting as pricing deteriorates.

JPM European losers of falling pricing power basket relative



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 high wage costs losers basket relative



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

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

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

6) Winners and losers from the AI theme

- Our basket of winners from the AI theme includes companies that are set to gain from Artificial Intelligence to improve products or gain a strategic edge over their competitors.

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

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

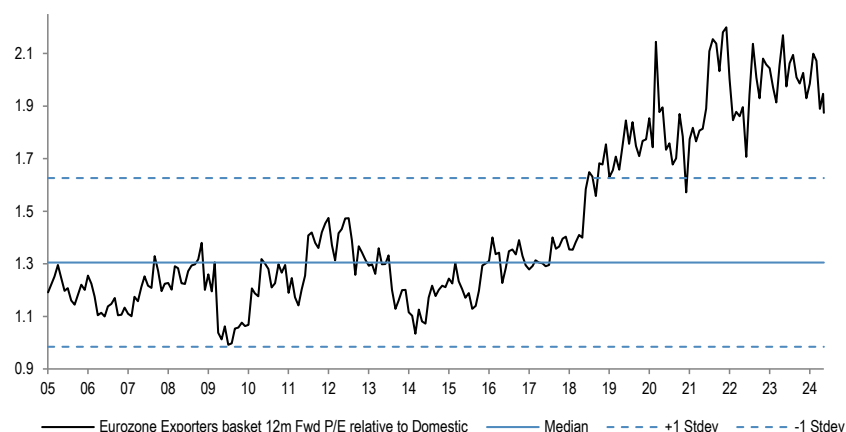
Name	Ticker	Sector
BAE Systems PLC	BA/ LN	Industrials
Dassault Aviation SA	AM FP	Industrials
Saab Automobile AB	SAABA SS	Industrials
Thales SA	HO FP	Industrials
Rheinmetall AG	RHM GY	Industrials
QinetiQ Group PLC	QQ/ LN	Industrials
Hensoldt AG	HAG GY	Industrials
Babcock International Group PL	BAB LN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

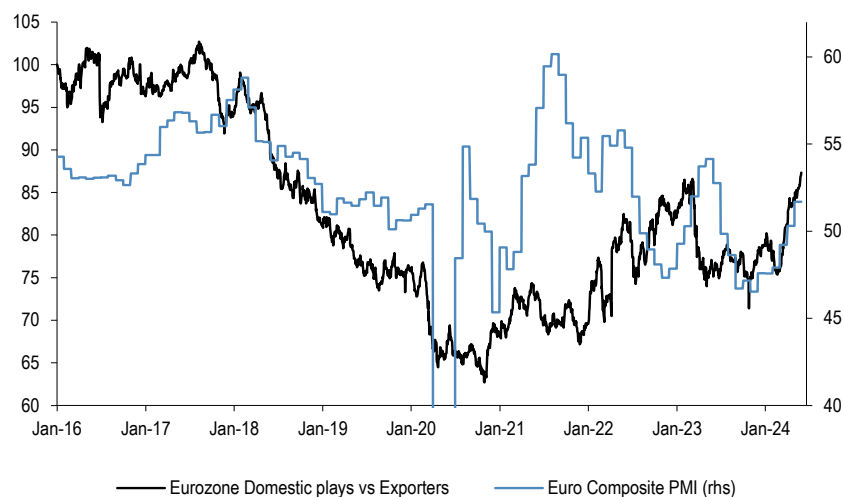
Name	Ticker	Sector	Ex-W.E. exposure
Aegon Ltd	AGN NA	Financials	87%
Fresenius Medical Care AG	FME GR	Health care	85%
Hannover Rueck SE	HNR1 GR	Financials	83%
Sampo Oyj	SAMPO FH	Financials	81%
Pernod Ricard SA	RI FP	Staples	80%
L'Oreal SA	OR FP	Staples	79%
LVMH Moet Hennessy Louis Vuitt	MC FP	Discretionary	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 linked to Eurozone composite PMIs.

Eurozone Domestic vs Exporters vs Euro Composite PMI



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

JPM Eurozone Domestic - JPDEEZDR

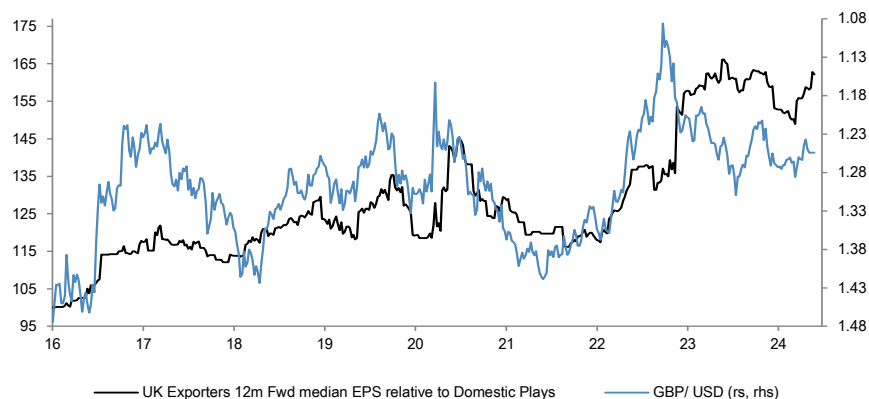
Name	Ticker	Sector	W.E. exposure
CaixaBank SA	CABK SM	Financials	100%
Zalando SE	ZAL GR	Discretionary	100%
Poste Italiane SpA	PST IM	Financials	100%
Gecina SA	GFC FP	Real Estate	100%
Koninklijke KPN NV	KPN NA	Comm. Srvc	100%
ASR Nederland NV	ASRNL NA	Financials	100%
Bankinter SA	BKT SM	Financials	100%
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

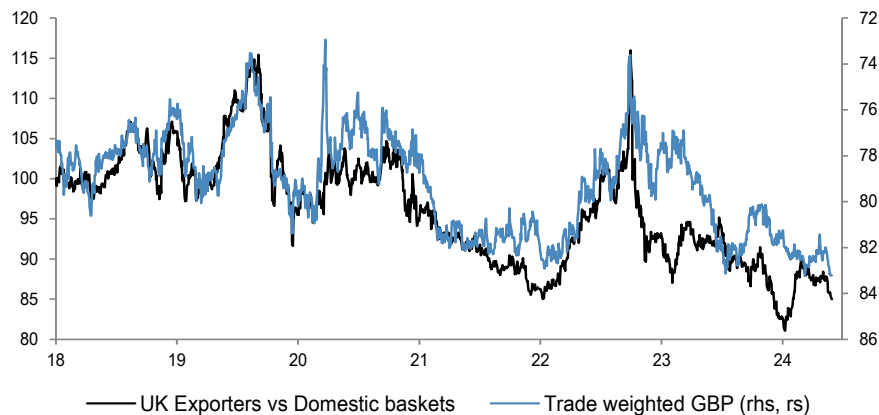
- UK exporters display a clear negative correlation with FX.

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

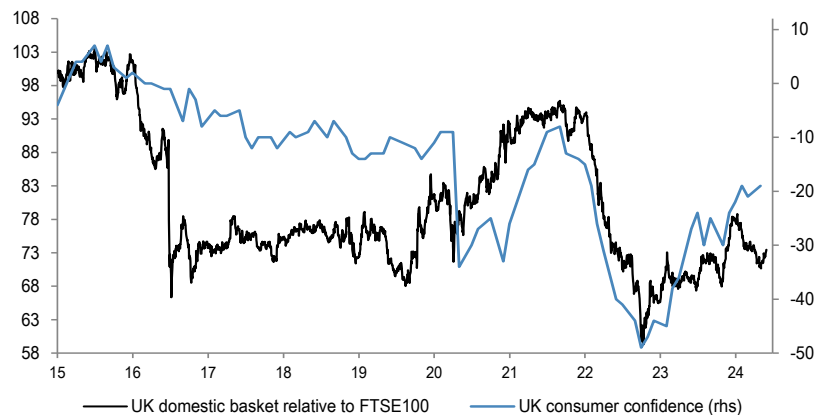
- UK Domestic stocks should fare better if activity momentum picks up, and BoE nears a rate cut.

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

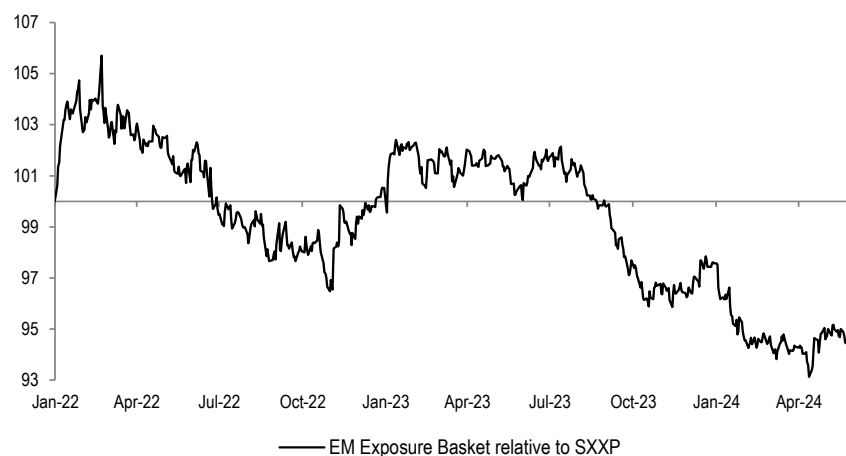
Name	Ticker	GICS Sector	UK exposure
Barratt Developments PLC	BDEV LN	Discretionary	100%
Berkeley Group Holdings PLC	BKG LN	Discretionary	100%
Persimmon PLC	PSN LN	Discretionary	100%
J Sainsbury PLC	SBRY LN	Staples	100%
Rightmove PLC	RMV LN	Comm. Svcs	100%
British Land Co PLC/The	BLND LN	Real Estate	100%
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.

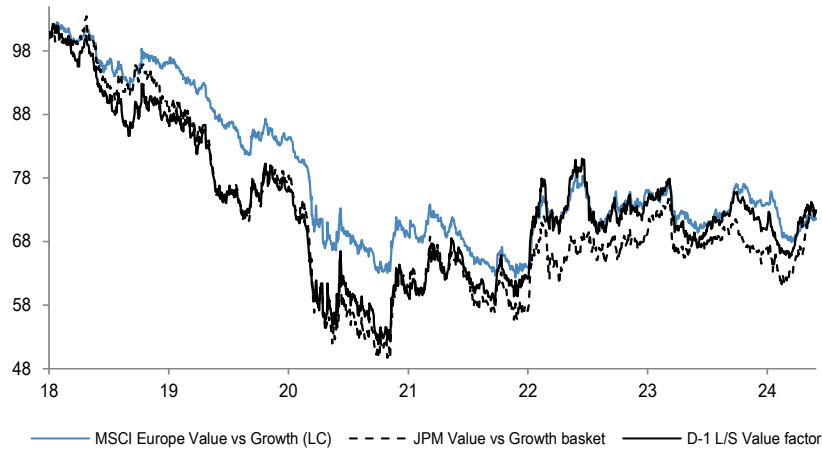
JPM EM exposure - JPDEEMEX

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

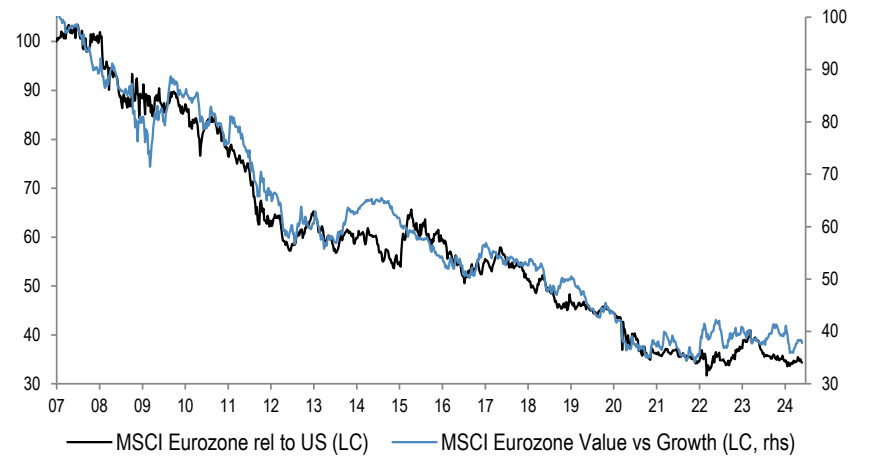
10) Value vs Growth: Style leadership is closely linked to the direction of bond yields...

Value style performance vs Growth



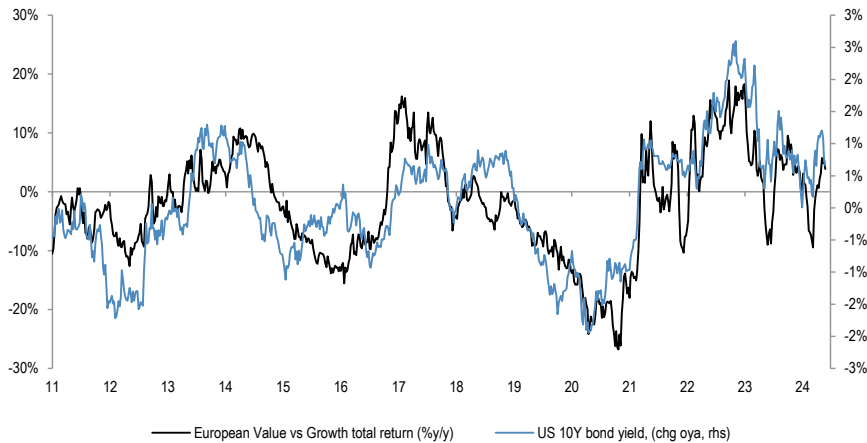
Source: Bloomberg Finance L.P., J.P. Morgan

Eurozone vs US and Value vs Growth



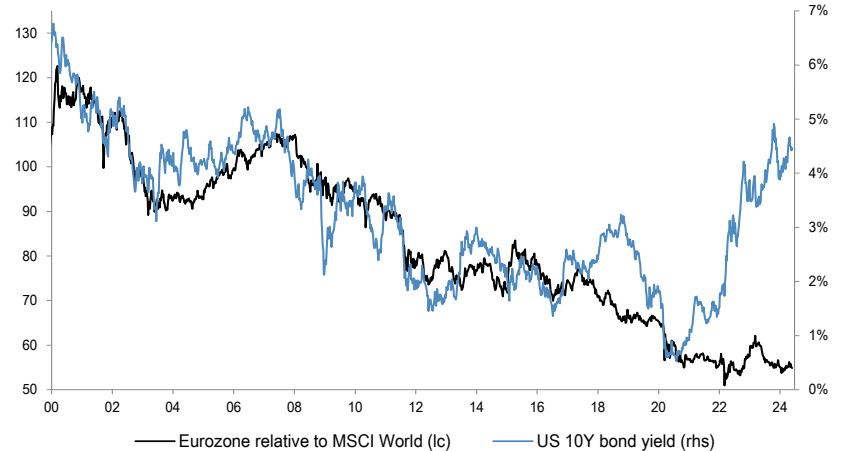
Source: Datastream

MSCI Europe Value vs Growth and US bond yields



Source: Datastream

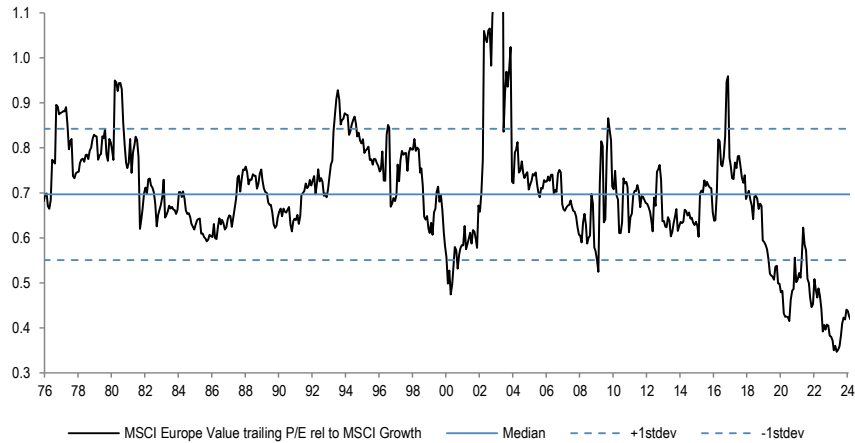
Eurozone relative to World and US 10Y bond yield



Source: Datastream

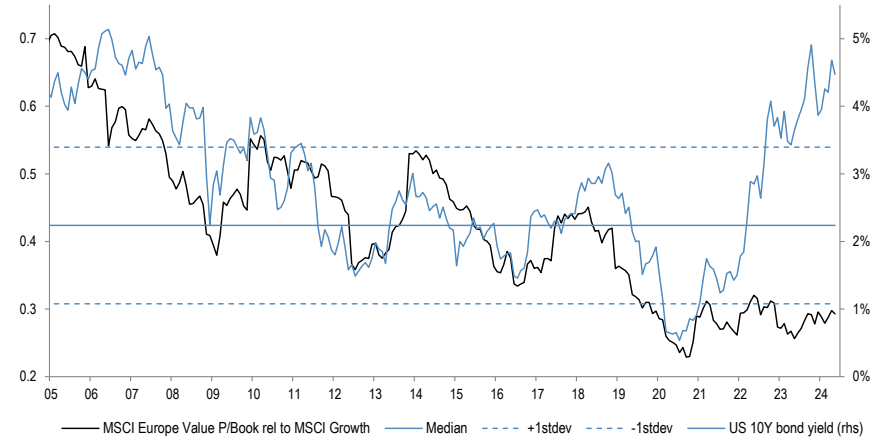
...Value valuations remain attractive

European Value vs Growth trailing P/E



Source: Datastream

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



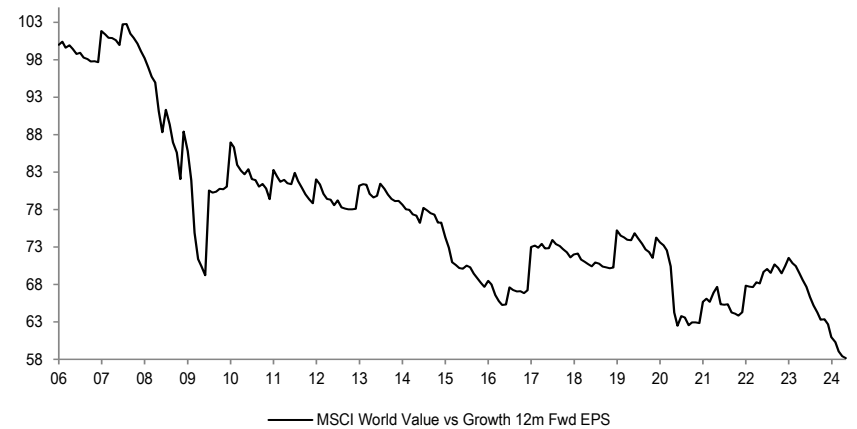
Source: Datastream

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

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) PREF.	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

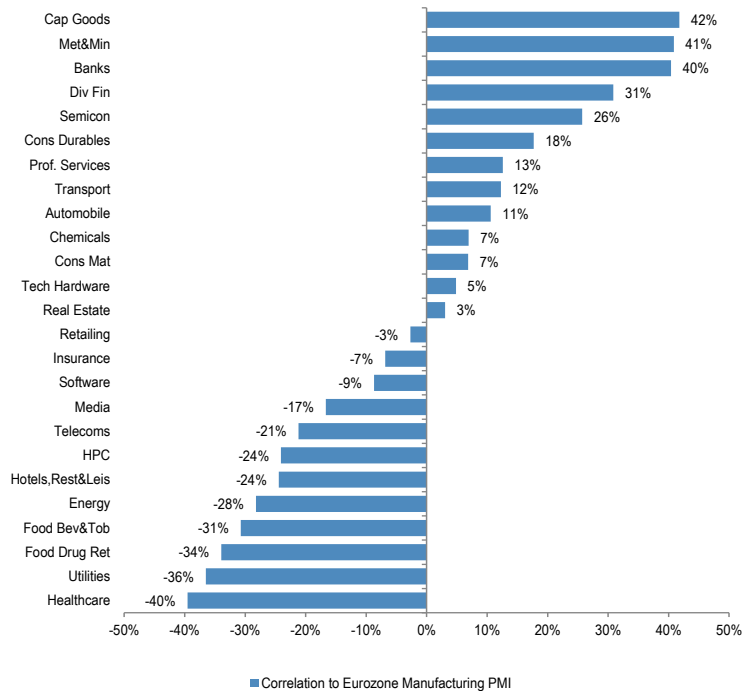
Name	Ticker	Sector	Correlation to				Average correlation
			Yield Curve	US Inflation forwards	EUR Inflation Forwards	S&P GSCI	
NESTLE 'N'	NESN SW	Staples	-16%	-20%	-20%	-30%	-21%
NATIONAL GRID	NG/ LN	Utilities	-21%	-15%	-21%	-27%	-21%
RECKITT BENCKISER GROUP	RKT LN	Staples	-15%	-15%	-18%	-36%	-21%
UNILEVER (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

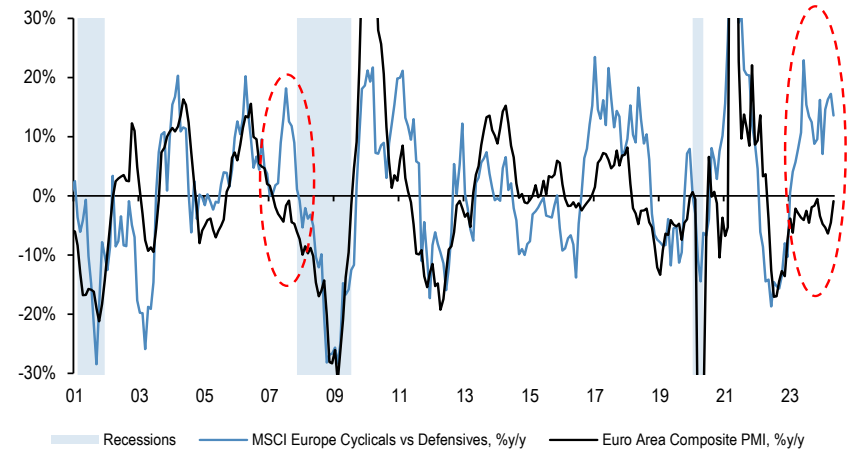
- The gap between Cyclical relative performance and PMIs is significant. We think that the Defensive sectors look likely to catch a bid going forward and the market has seen a Defensives rotation in motion in Q2.
- At a sector level, Industrials & Financials display the highest positive correlation to PMIs.

European sectors correlation to Eurozone manufacturing PMI



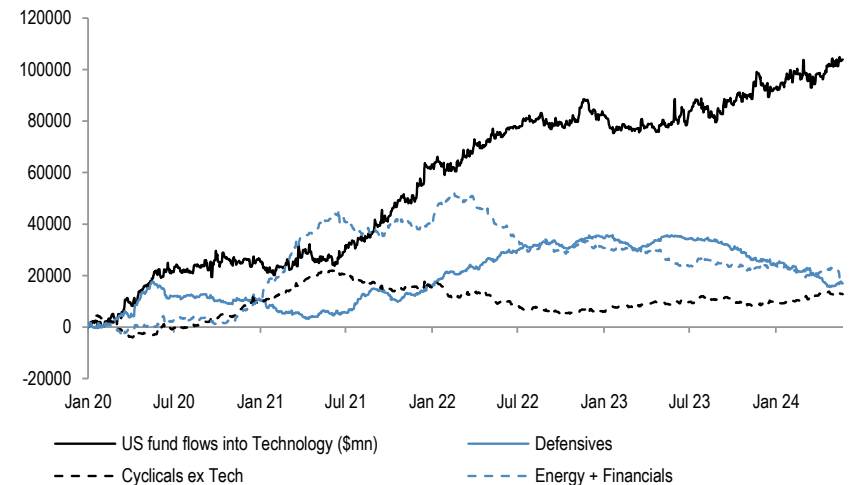
Source: S&P Global, Datastream

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 Defensives

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

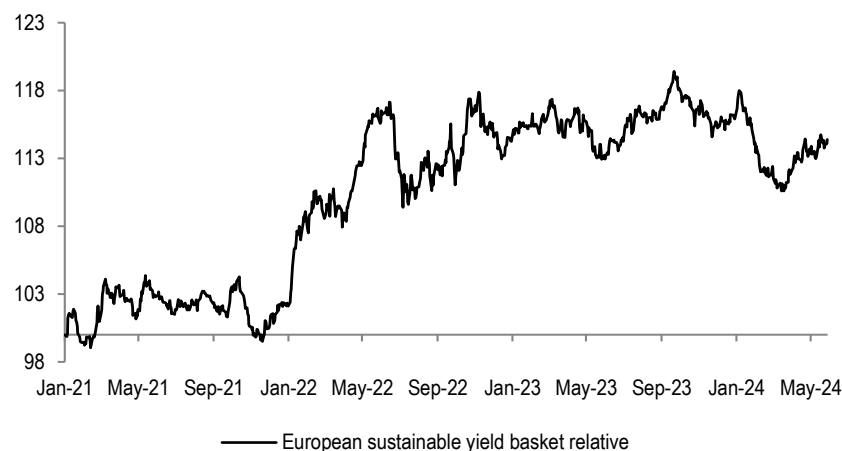
JPM European Defensives - JPDEEDEF

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

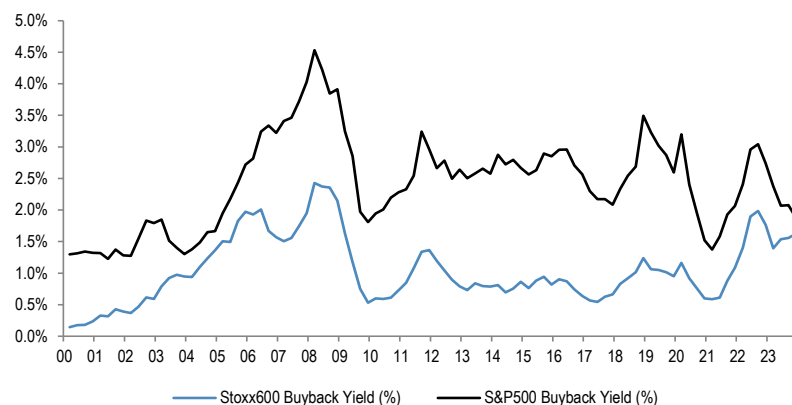
- We believe stocks engaging in buybacks will be rewarded by the market.
- We compile a list of stocks that are currently doing a buyback / are expected to do one in 2024-25.

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

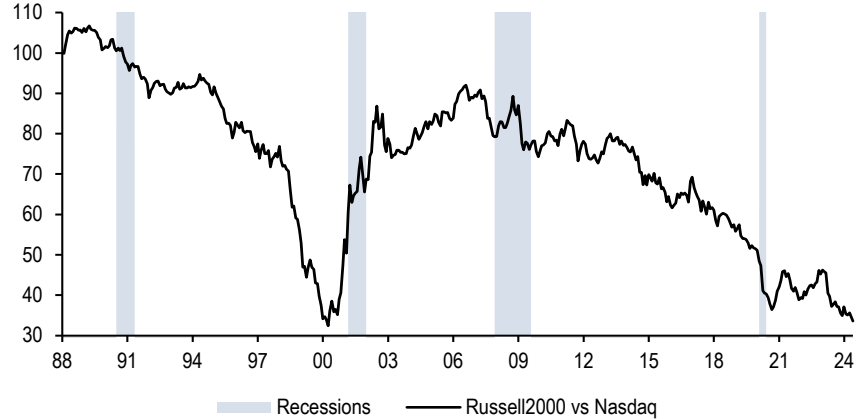
Name	Ticker	Sector	Buyback yield
Rexel SA	RXL FP	Industrials	9.0%
Daimler Truck Holding AG	DTG GR	Industrials	8.3%
Scout24 SE	G24 GR	Comm. Svcs	8.0%
Johnson Matthey PLC	JMAT LN	Materials	8.0%
Repsol SA	REP SM	Energy	7.9%
DSV A/S	DSV DC	Industrials	7.8%
Aegon Ltd	AGN NA	Financials	7.7%
ING Groep NV	INGA 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) Small-cap valuations look cheap

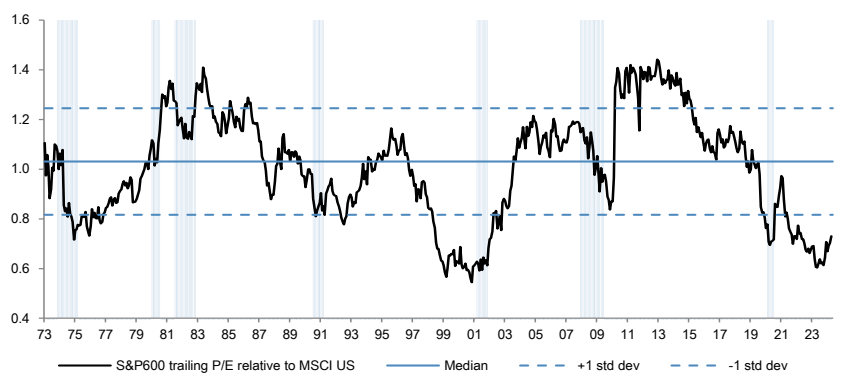
- US small-cap valuations are trading outright cheap relative to large caps.

S&P600 relative to S&P500



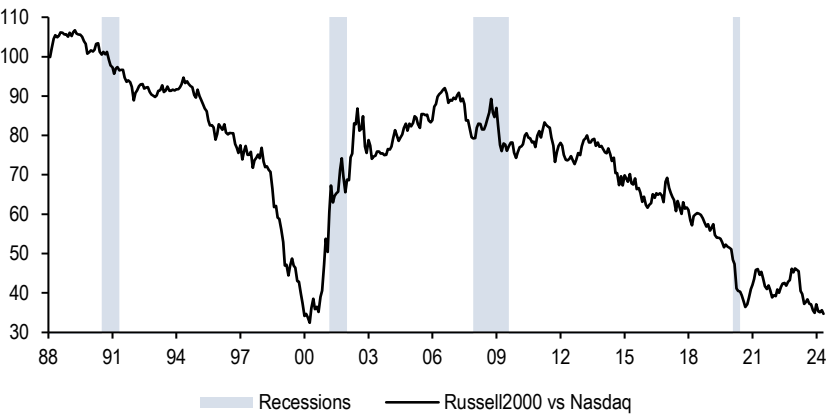
Source: Datastream

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

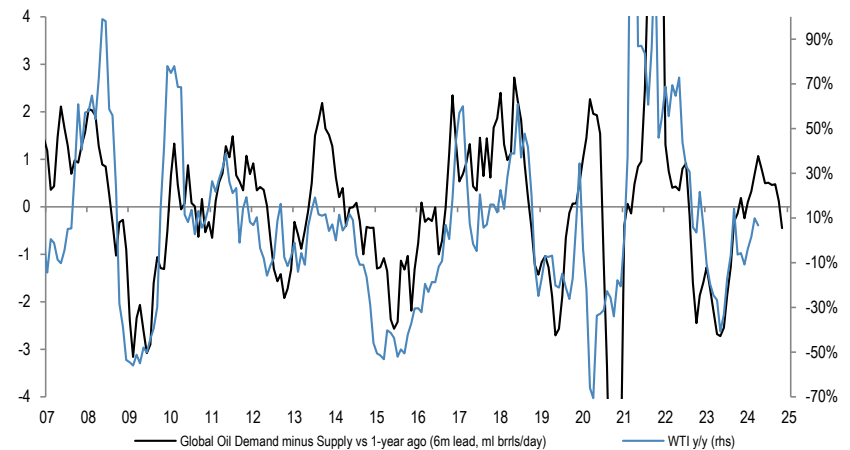
Source: MSCI, J.P. Morgan, Datastream

ENERGY: OVERWEIGHT

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

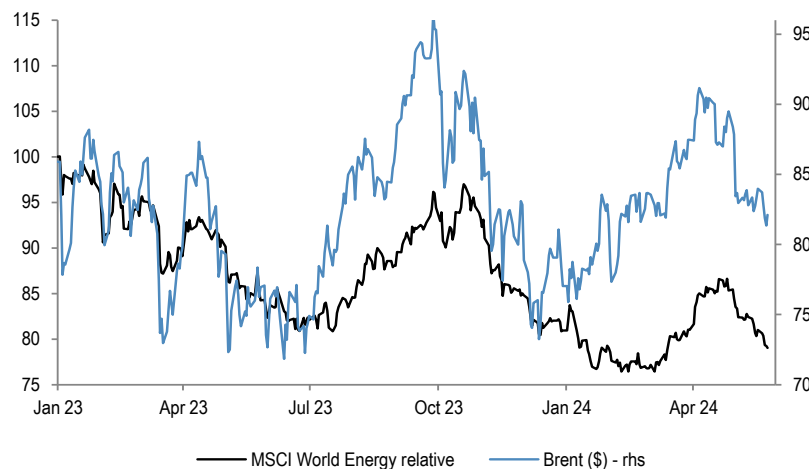
- We upgraded Energy to OW in August 2021, and believe the sector still screens attractive.
- The sector has lagged the move in oil prices, which remain well supported by current supply-demand dynamics.
- European Energy tended to trade more as a Defensive during the phases of weak PMI prints, rather 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

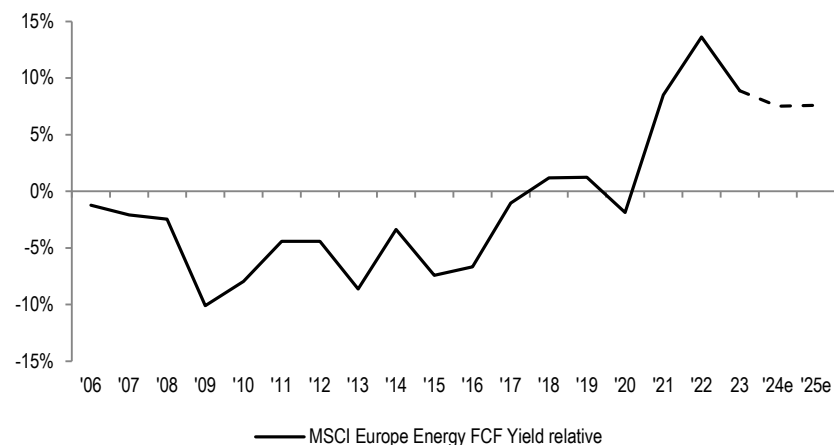
Energy relative performance around trough in PMI					
-6m	-3m	-1m	1m	3m	6m
5%	2%	-1%	-5%	-8%	-12%
Energy relative performance around peak in PMI					
-6m	-3m	-1m	1m	3m	6m
0%	2%	-1%	2%	3%	7%

Source: Datastream

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

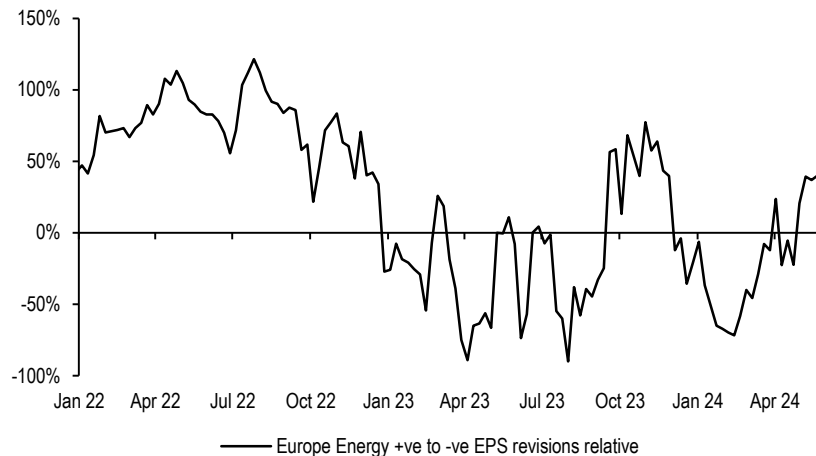
- The sector offers strong free cash flow generation and appears cheap, in our view. It is currently trading close to 2 standard deviations below the historical P/E relative to the market.

European Energy FCF yield relative



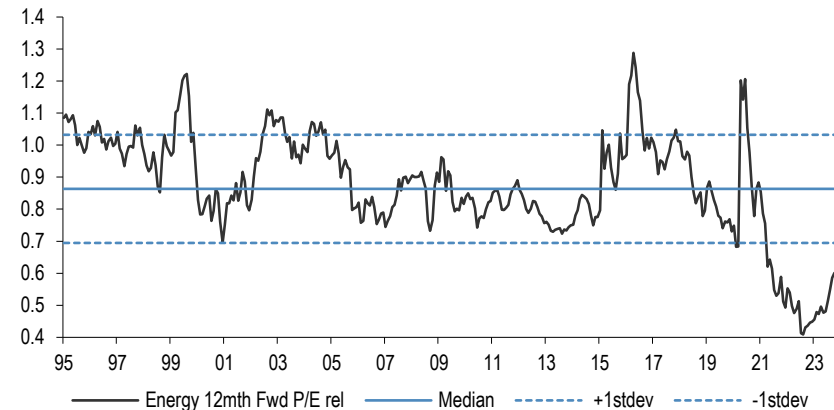
Source: IBES

European Energy +ve to -ve EPS revisions relative



Source: IBES

European Energy 12m Fwd. P/E relative

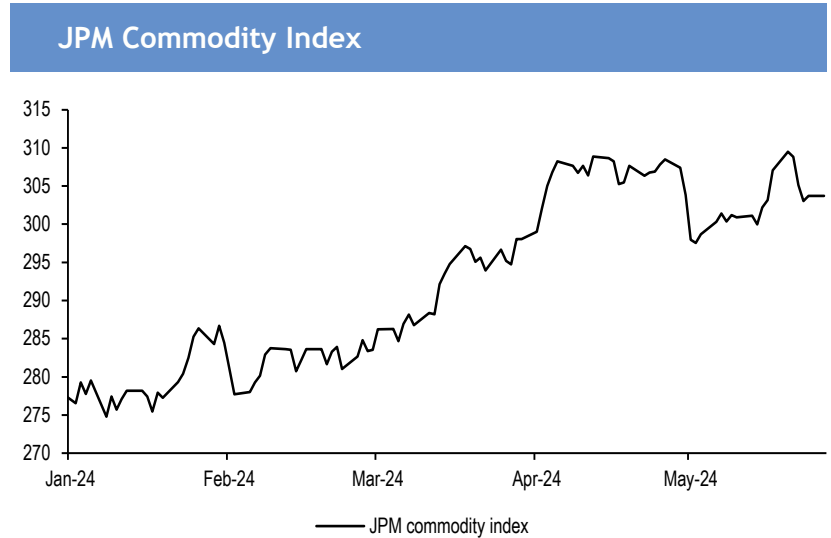


Source: IBES

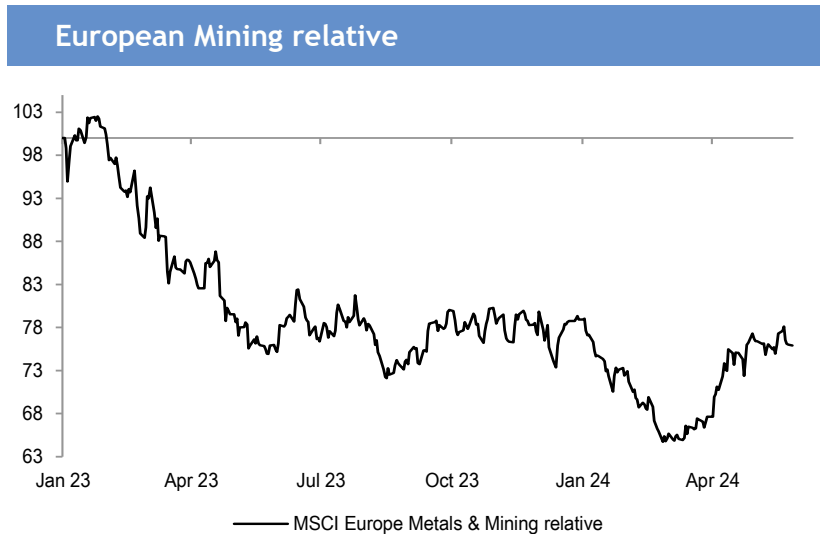
MATERIALS: NEUTRAL

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

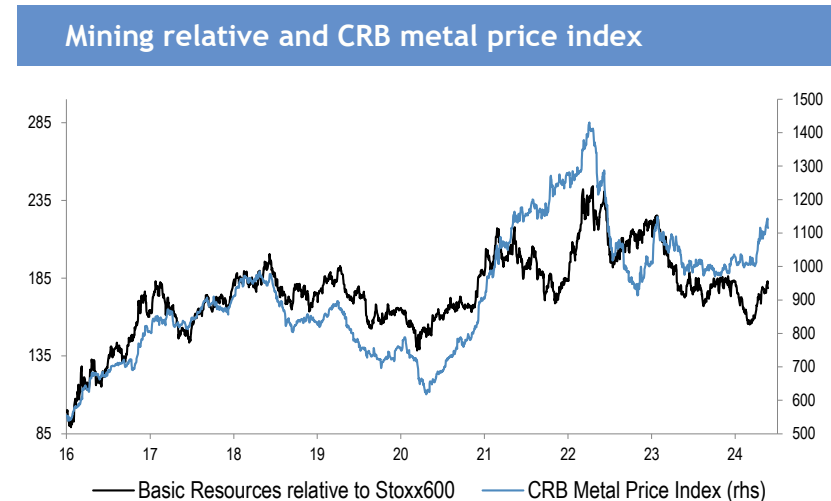
- Miners have done poorly since Jan '23 highs to Q1 lows, down almost 40% relative.
- Stabilising metal prices and bottoming in China are the supports for better trading of the sector.



Source: Bloomberg Finance L.P.



Source: JPM Metals&Mining Research

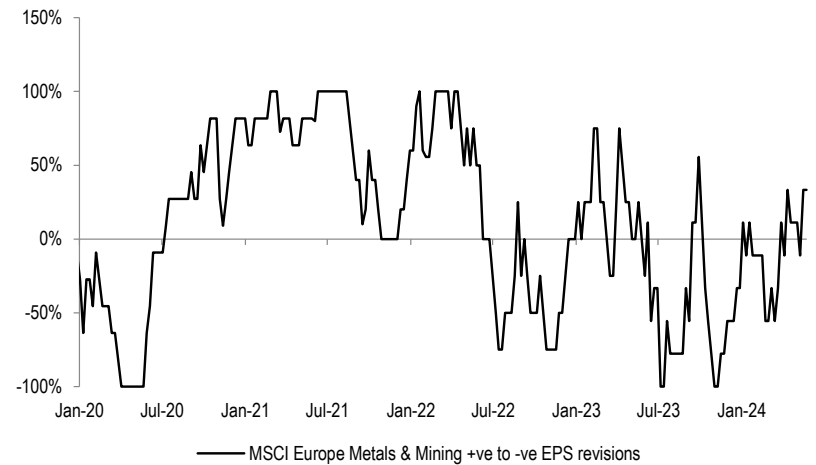


Source: J.P. Morgan

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

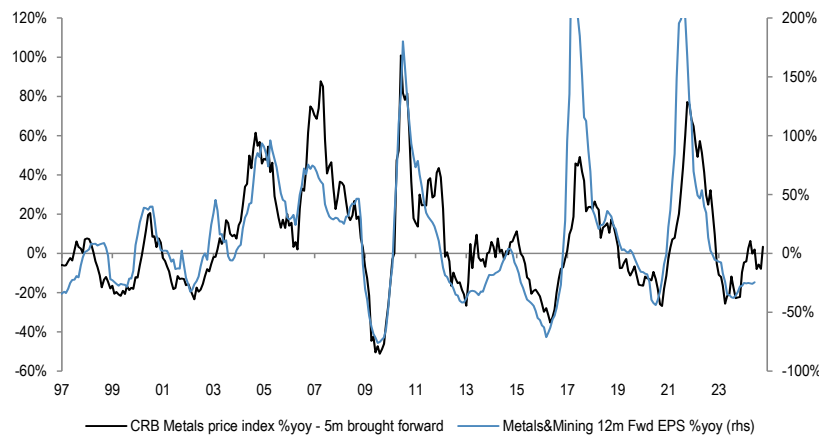
- We believe that Mining is likely to see mark-to-market earnings upgrades if spot prices hold around current levels.
- Valuations look less attractive than before, but remain far from problematic.

MSCI Europe Metals & Mining EPS revisions



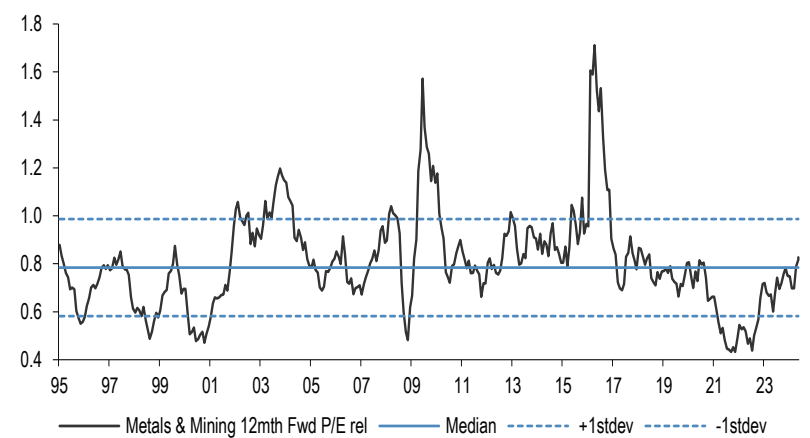
Source: IBES

Metal prices and Mining EPS



Source: Bloomberg Finance L.P., IBES

European Mining 12m Fwd. P/E relative

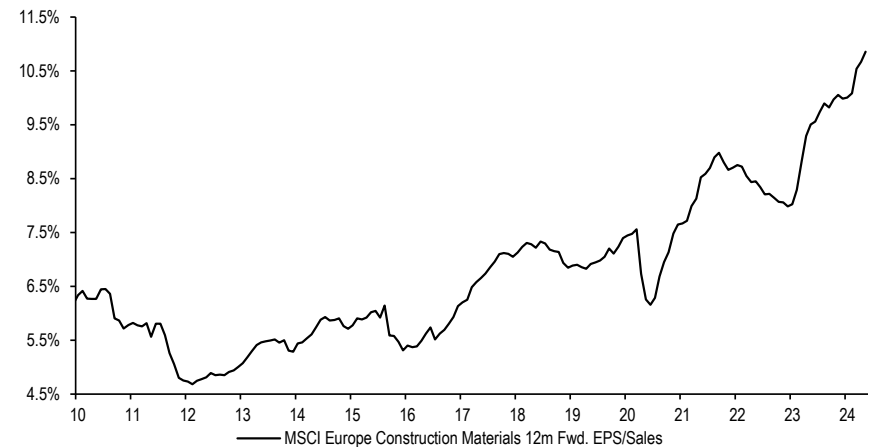


Source: IBES

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

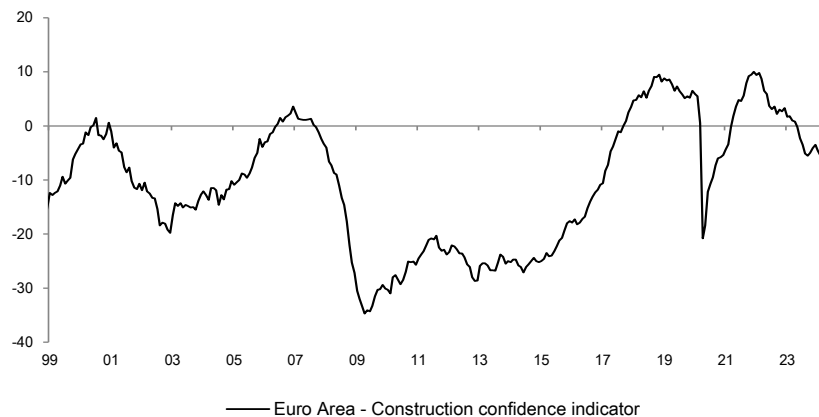
- Construction Materials sector had a very strong run since Jan' 23, up more than 50% relative to the market. Cement names have done well on the back of strong pricing. US fiscal spend has also aided sentiment on the sector.
- Base effects will likely become more challenging, especially as countries 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



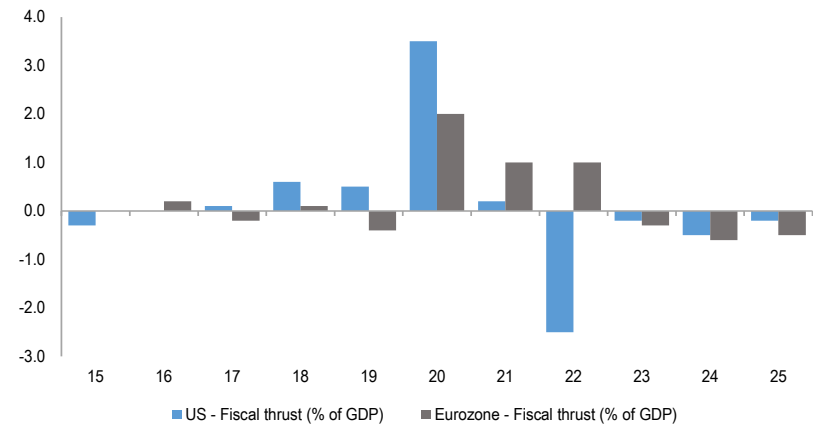
Source: Datastream

Euro area Construction confidence indicator



Source: J.P. Morgan

US and Eurozone Fiscal Thrust

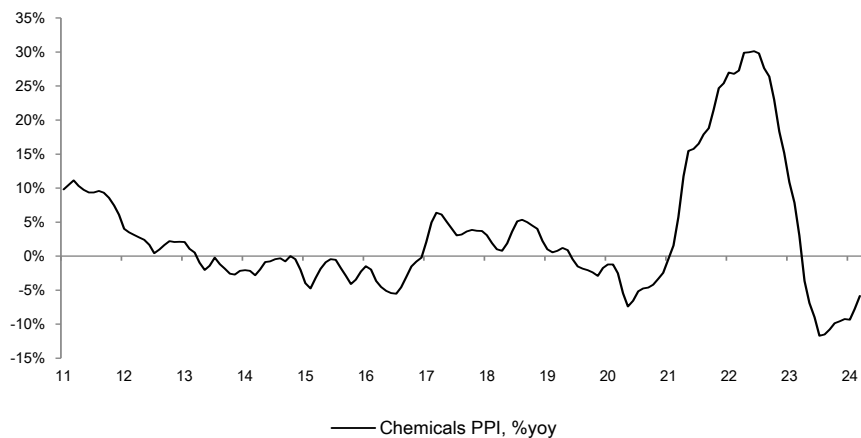


Source: Bloomberg Finance L.P.

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 60% premium to the broader market, well above the historical norm.
- Pricing is still weak.
- 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 is far from guaranteed. We continue to see downside risks to current earnings and margin projections.

Chemicals PPI %yoy



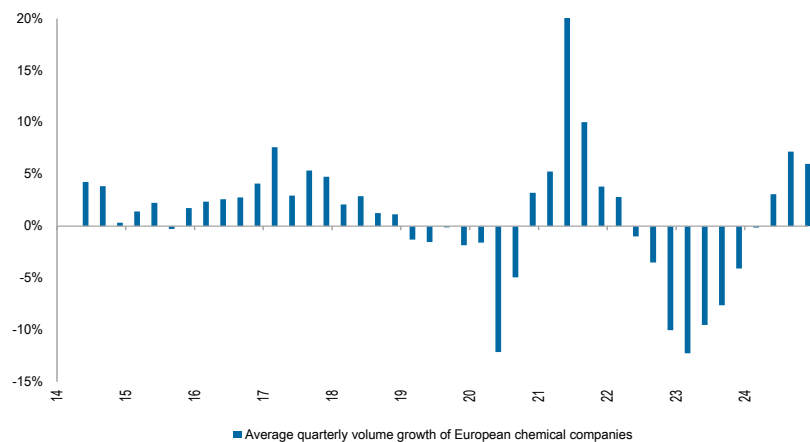
Source: Bloomberg Finance L.P.

European Chemicals 12m fwd P/E relative



Source: IBES

European Chemicals volume growth



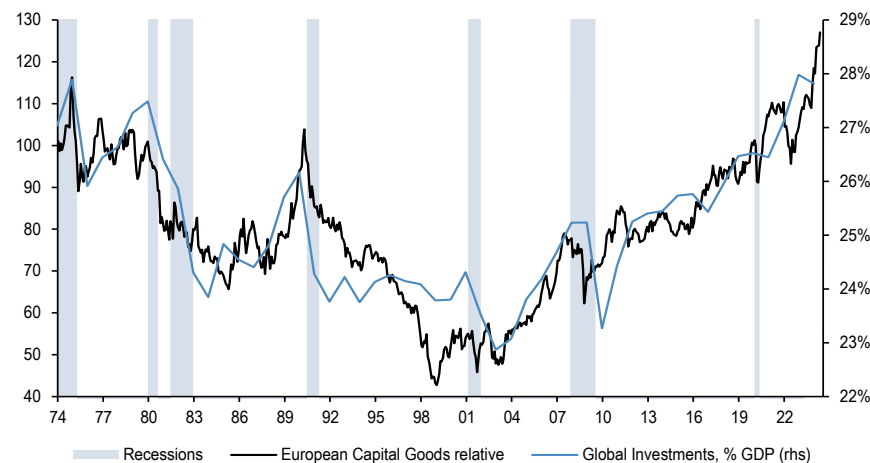
Source: J.P. Morgan Chemicals Research, *2024 Q1-Q4 are forecasts

INDUSTRIALS: NEUTRAL

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

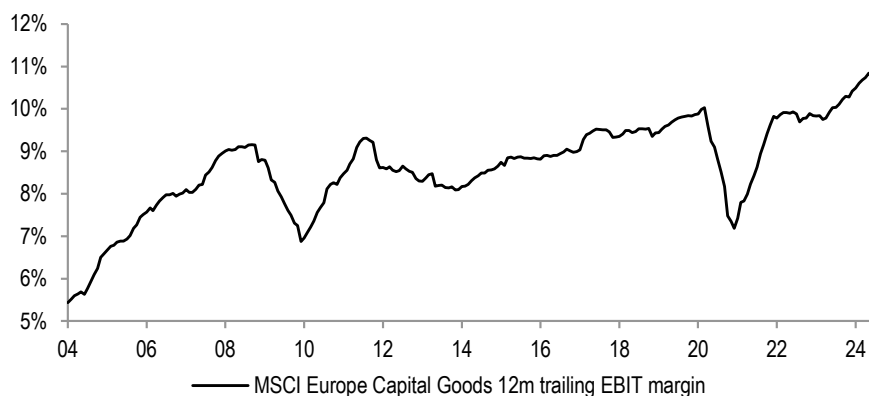
- The European Capital Goods sector has seen strong outperformance last year and is trading at multi-year price relative highs. This could start to reverse as we are already seeing signs of weakness in short-cycle demand.
- Sector’s relative valuations are high. Capital Goods are trading at a 50% P/E 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



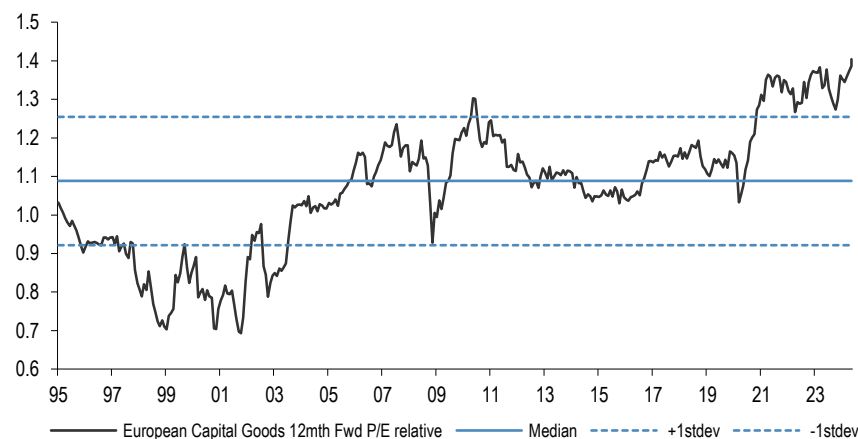
Source: Datastream

MSCI Europe Capital Goods 12m trailing EBIT margin



Source: IBES

European Capital Goods 12m forward P/E relative

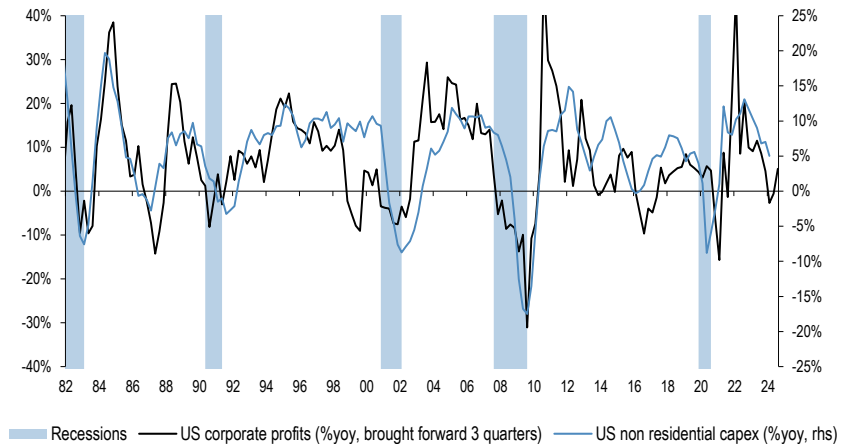


Source: IBES

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

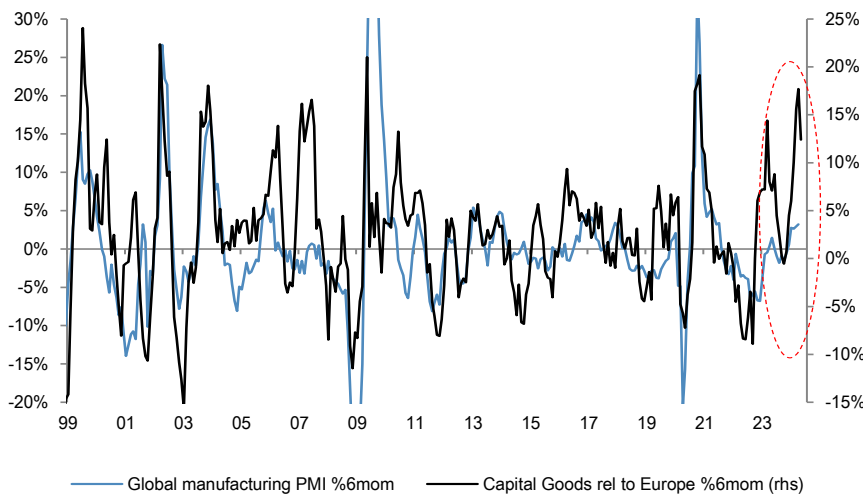
- The sector benefitted hugely from the significant upmove in global capex over the last couple of decades. Our sector analysts now see a more challenged capex outlook.
- In the past, the sector's relative performance has been closely aligned to the trajectory of manufacturing PMIs and to IP.
- We believe 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 keep accelerating.

US Non-residential capex and NIPA corporate profits



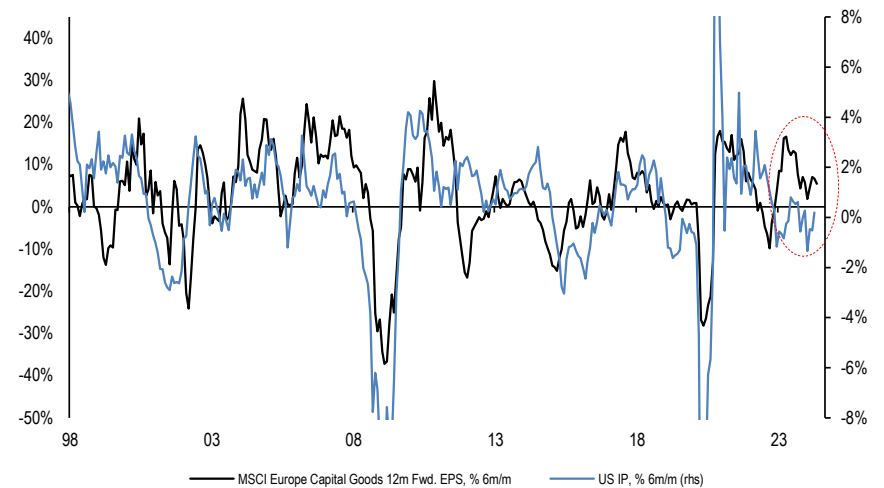
Source: J.P. Morgan, BEA

European Capital Goods rel and global manufacturing PMI



Source: IBES

European Capital Goods EPS relative and US IP

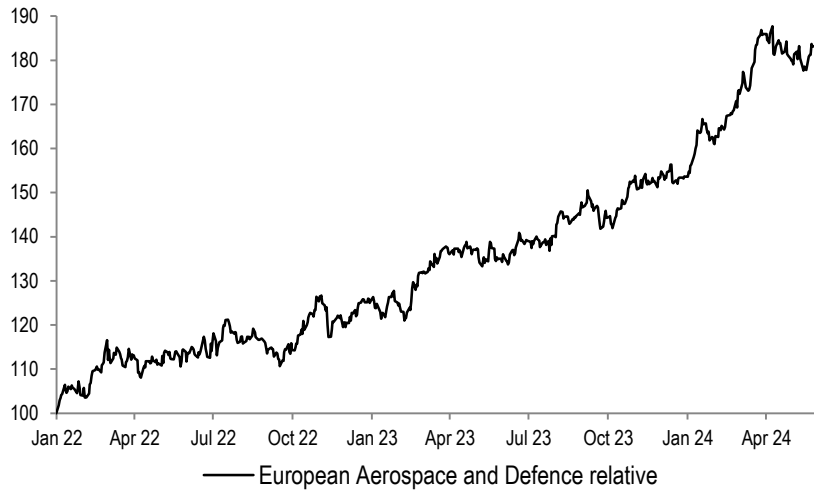


Source: Datastream

We stay OW Aerospace & Defense

- Aerospace & Defense has outperformed the market by more than 80% 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

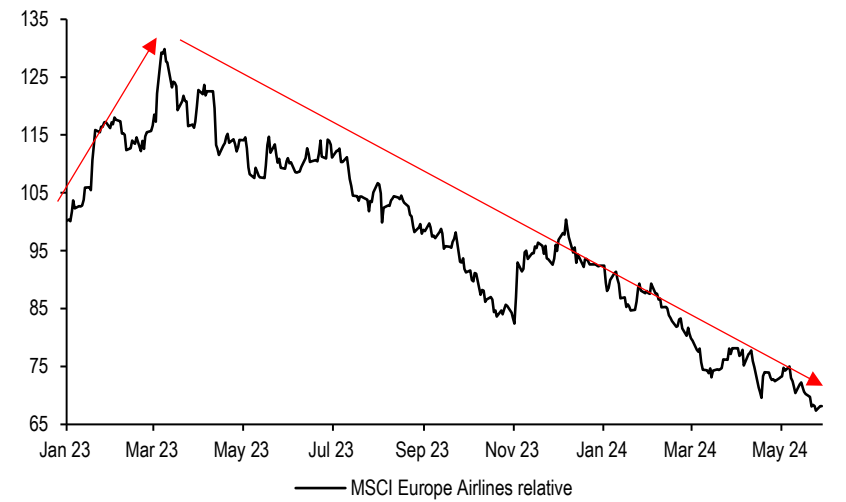
Country	Defence Budget (Govt defined) % of GDP 2023E	Defence Budget (NATO defined) % of GDP 2023E	Defence spending pledge since Feb- 22	Year when spending increase begins	Year when spending target achieved	Current status
Germany	1.6%	1.6%	EUR 100bn extra spending	From 2023	72	Feb 2022: €100bn special 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

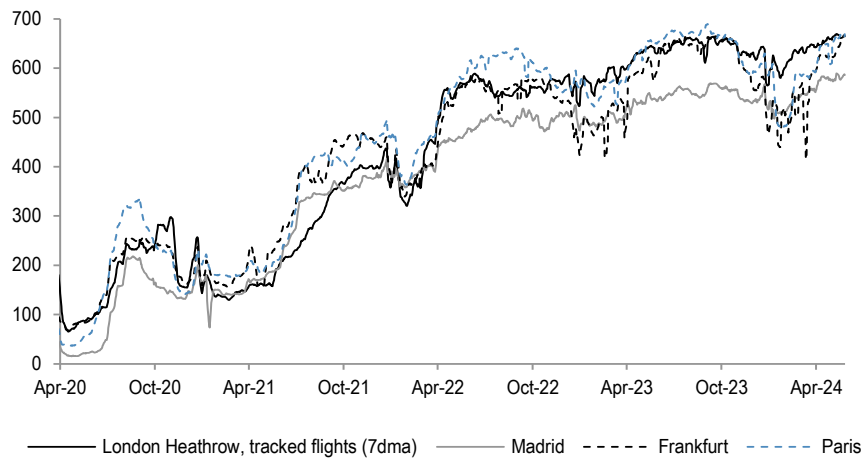
- A combination of higher oil prices, extra capacity and more downbeat demand expectations have weighed on Airlines stocks. We believe these will continue to disappoint.
- Passenger capacity has been ramping up and is expected to grow another 5-10% this year. Unless demand is exceptionally strong, higher capacity will likely further cannibalize pricing.

MSCI Europe Airlines relative



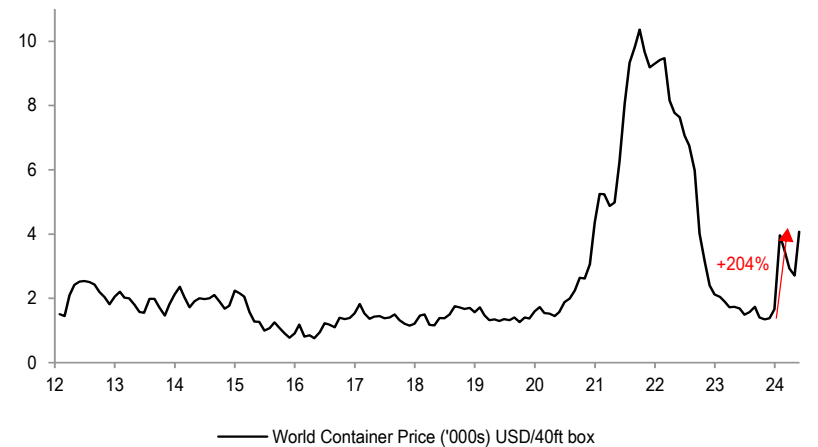
Source: Datastream

Flights tracked - Europe Airports



Source: FlightRadar24

World Container price



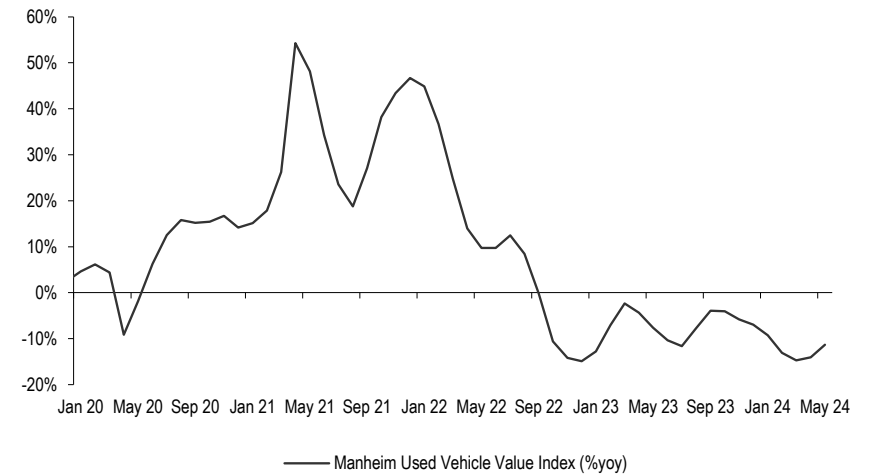
Source: Bloomberg Finance L.P.

CONSUMER DISCRETIONARY: NEUTRAL

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

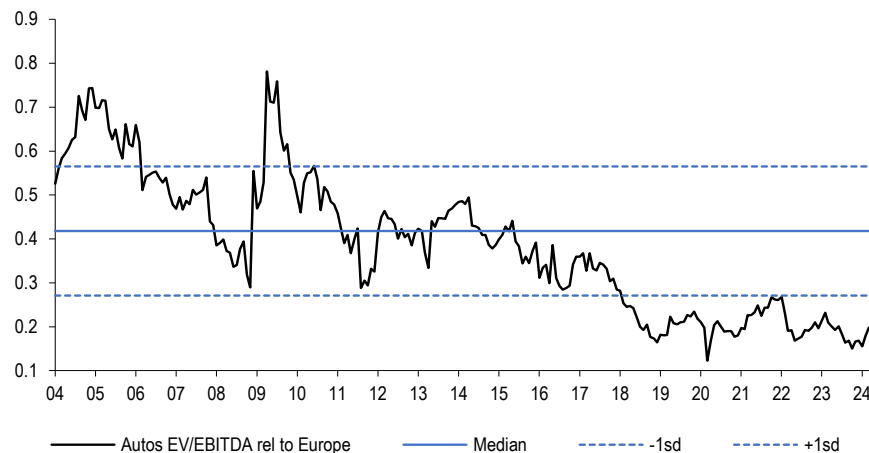
- We are UW the Autos sector, expecting the weakness from pricing, consumer outlook and increasing China competition.
- Autos look cheap on a range of valuation measures, such as Price to Book, as well as on EV/EBITDA. However, the sector is strongly correlated to activity momentum, where the recent improvement might not hold.

Manheim Used Vehicle Index



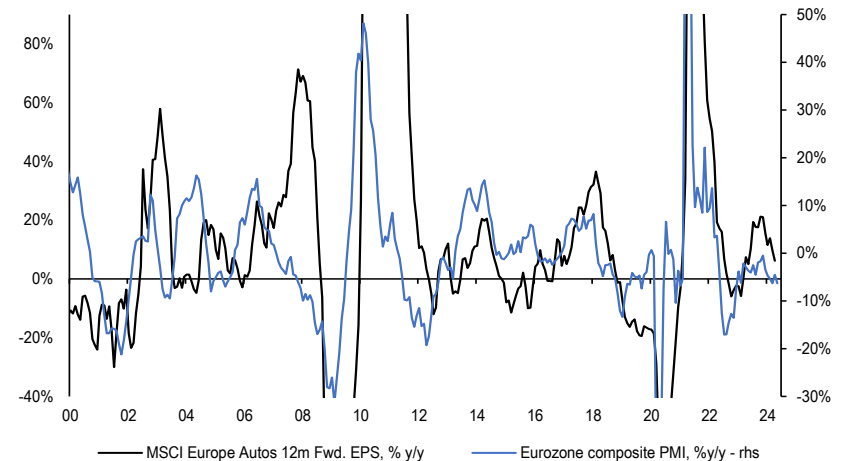
Source: Bloomberg Finance L.P.

Autos EV/EBITDA relative



Source: Datastream

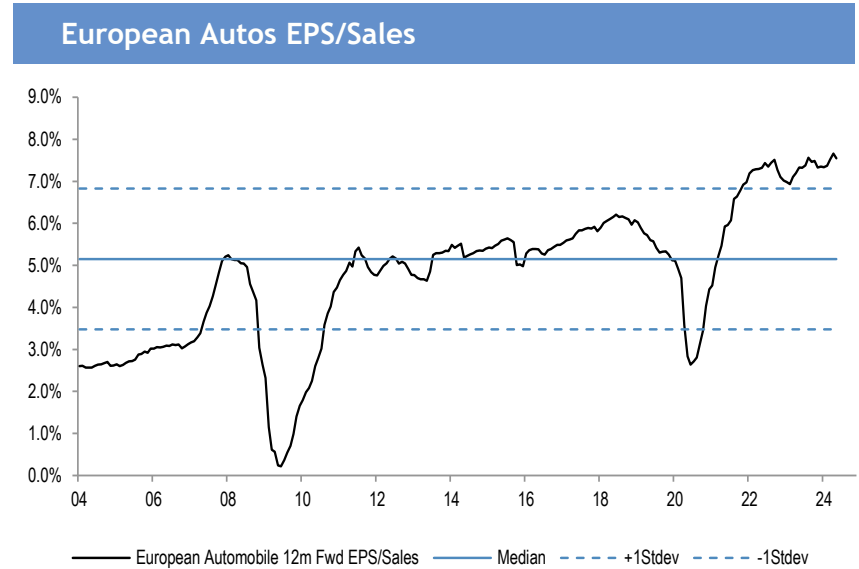
European Autos EPS and Euro composite PMI



Source: Datastream

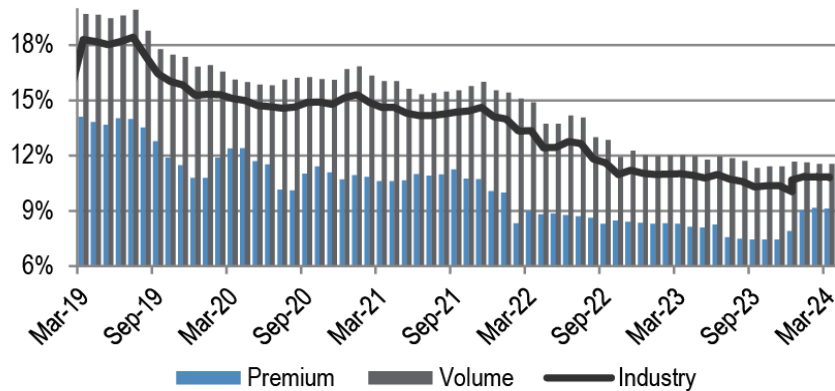
...both volumes and pricing could come under pressure

- Strong pricing and better mix drove the sector margins to record highs, but we think margins are peaking, as a combination of rising inventories, increasing Chinese competition and weaker demand could be the headwinds.
- We are already seeing higher discounts and incentives in the key Chinese car market. We believe this could spread to other regions, including Europe and the US. Here, our bottom-up analysts have a more benign outlook for the sector and believe pricing may hold up.



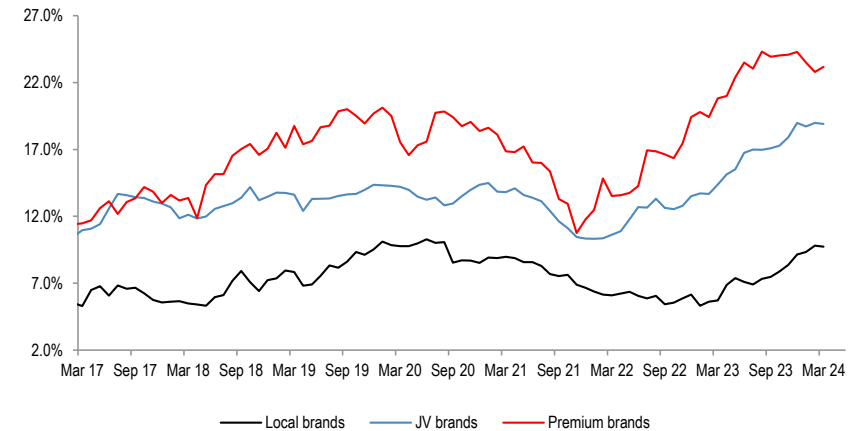
Source: IBES

Weighted average discounts across Europe



Source: JPM European Autos Research Team

Incentives levels in China (%)

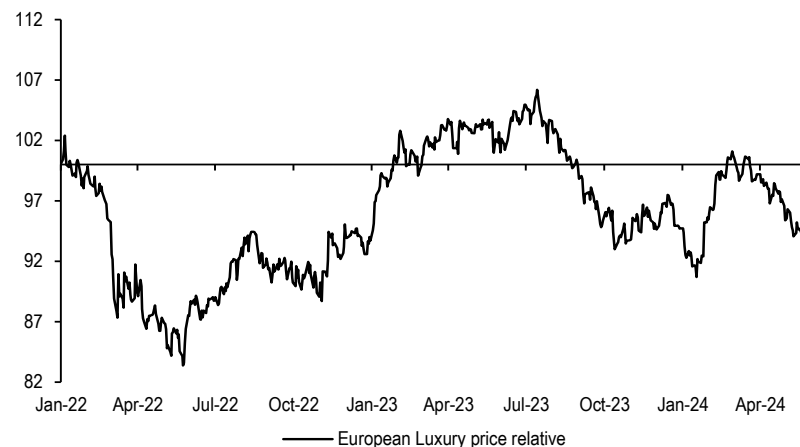


Source: JPM European Autos Research Team

N Consumer Durables – China play, but still expensive

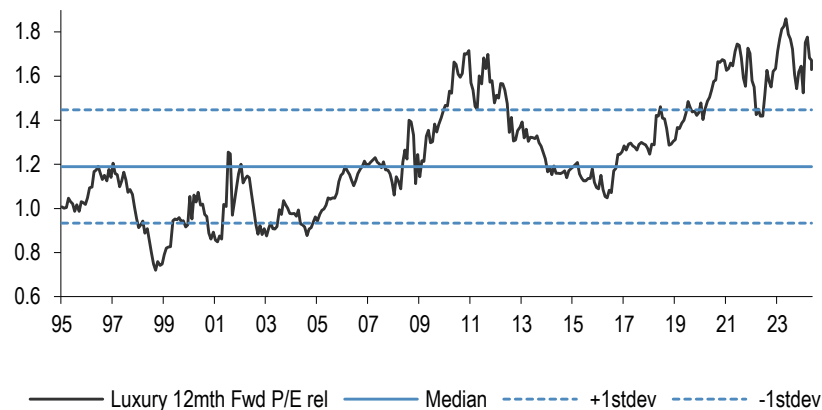
- We believe that the European Consumer Durables (Luxury) sector will continue to struggle.
- The sector continues to trade expensive, and even though we are tactically more positive on China, pricing in the sector could be a headwind.

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

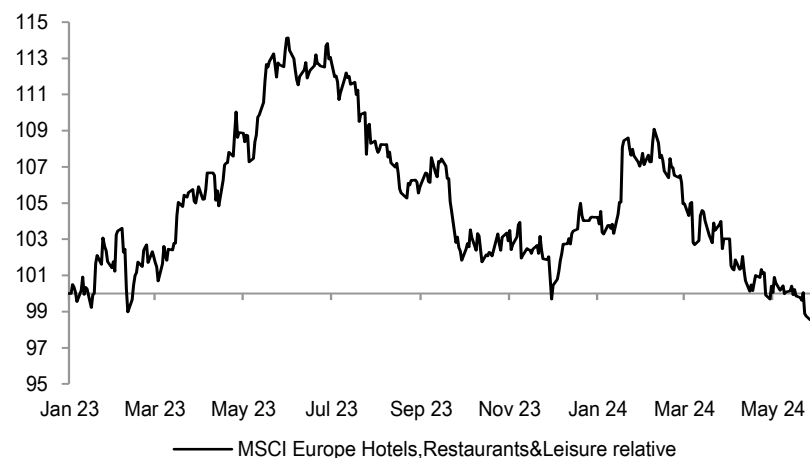


Source: IBES, Bloomberg Finance L.P.

UW Consumer Services – easy base effects are behind us

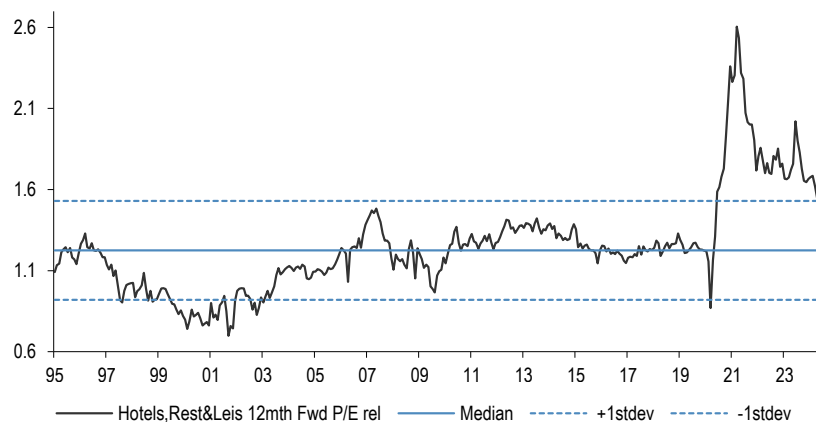
- The Consumer Services sector has struggled recently. We believe the headwinds will keep increasing. Earnings for the sector were supported by strong pricing and high occupancy rates, both of which are starting to roll over.
- Valuations have derated, but remain stretched.

European Hotels, Restaurants & Leisure price relative



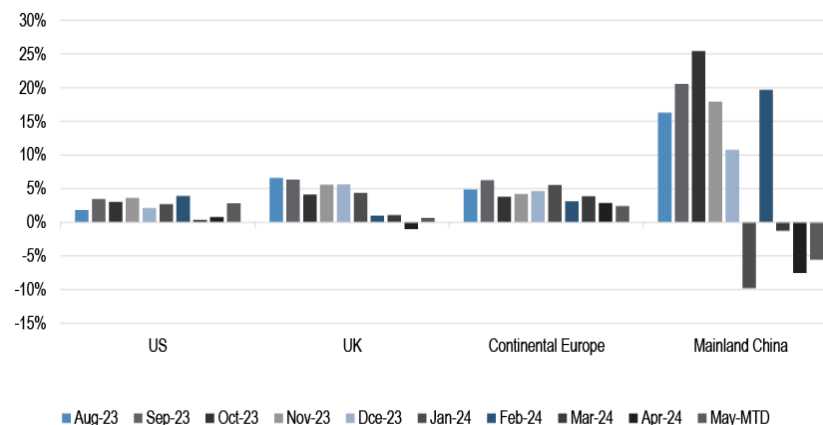
Source: Datastream

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



Source: IBES

Global ADR change, y/y

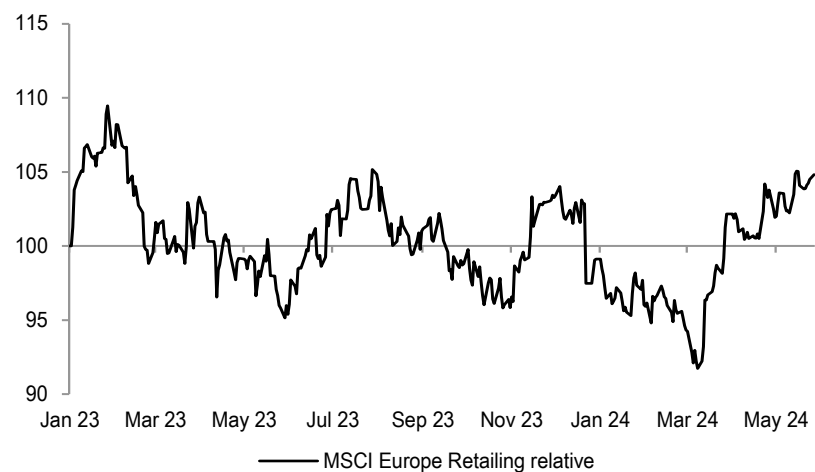


Source: J.P. Morgan European Leisure, Hotels and Gaming research

UW Retail – consumer outlook remains challenged

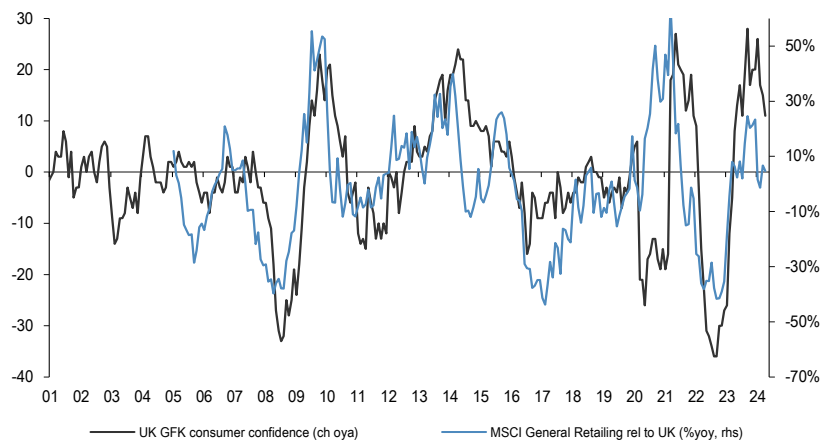
- The General retail sector has had a mixed 2023 and could continue struggling going forward. The consumer outlook could remain challenged, especially if we start to see some labour market weakness.
- We note that valuations have derated and the sector no longer screens expensive.

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



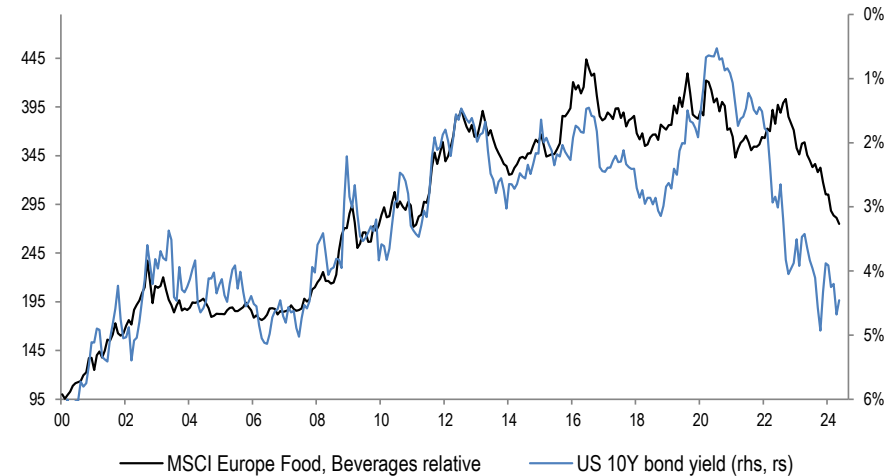
Source: IBES

CONSUMER STAPLES: OVERWEIGHT

Valuations have improved significantly

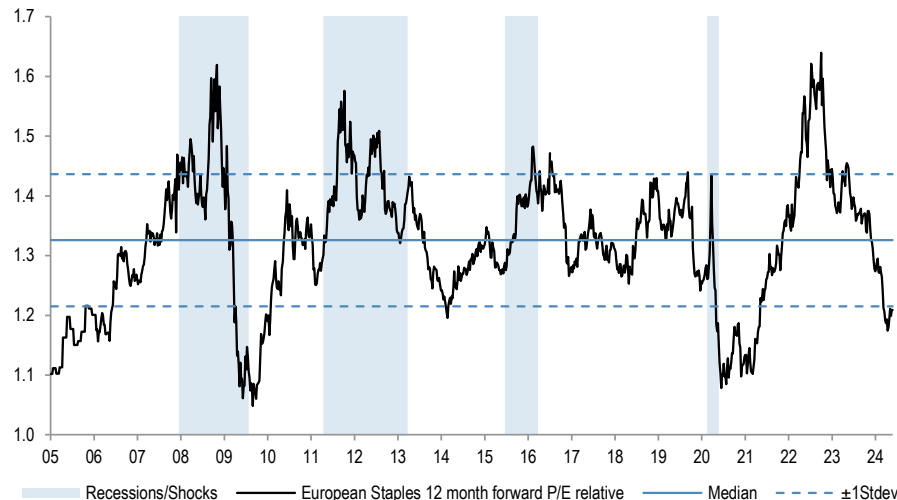
- European Staples have performed poorly over the past 18 months, weighed down by higher yields and weaker operating results.
- Given this, valuations of the sector do not look expensive anymore, they have derated, and are now trading below 1 standard deviation levels.
- The gold to copper ratio has in the past been a good proxy for the sector's relative performance. The recent divergence is notable, and should start closing, in our view.

MSCI Europe Food & Beverages vs US 10Y bond yield



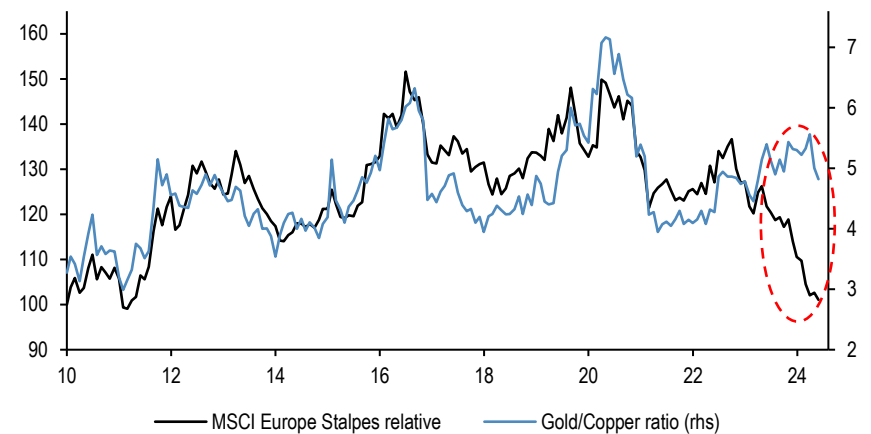
Source: Datastream

MSCI Europe Staples 12m Fwd PE relative



Source: IBES

European Staples relative and gold-copper ratio



Source: Datastream, Bloomberg Finance L.P.

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

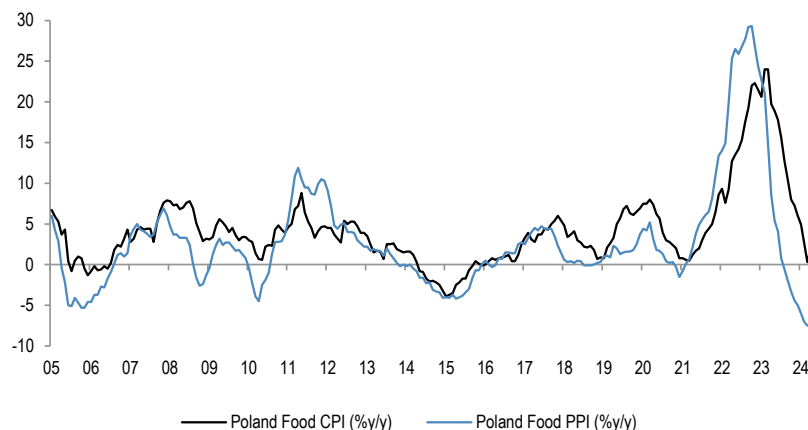
- Within Staples, we believe that Food Retail is likely to see increased price competition and our analysts project that margins for most companies will contract in 2024, with flat to low-single-digit volume growth.
- Falling PPIs and CPIs add to the pricing concerns. Food inflation is coming down at a rapid pace and is already in negative territory for some regions.
- JPM Agricultural commodity index has been weak, 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	37	42	(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)	28
Carrefour Europe	Adj. EBIT, IFRS 16	(8)	(13)	(12)	(0)
B&M France	Adj. EBITDA, IAS 17	15	(23)	(12)	10
Carrefour France	Adj. EBIT, IFRS 16	36	44	37	(9)
Colruyt	Adj. EBITDA, IAS 17	225	7	114	129
Jeronimo Portugal	Adj. EBITDA, IAS 17	1	(5)	(1)	(35)
Tesco CE	Adj. EBIT, IFRS 16	(163)	(250)	(208)	(26)
Jeronimo Poland	Adj. EBITDA, IAS 17	(10)	(21)	(16)	(39)
Ahold US	Adj. EBIT, IFRS 16	13	(18)	(3)	(36)
Average		16	(17)	(2)	(3)

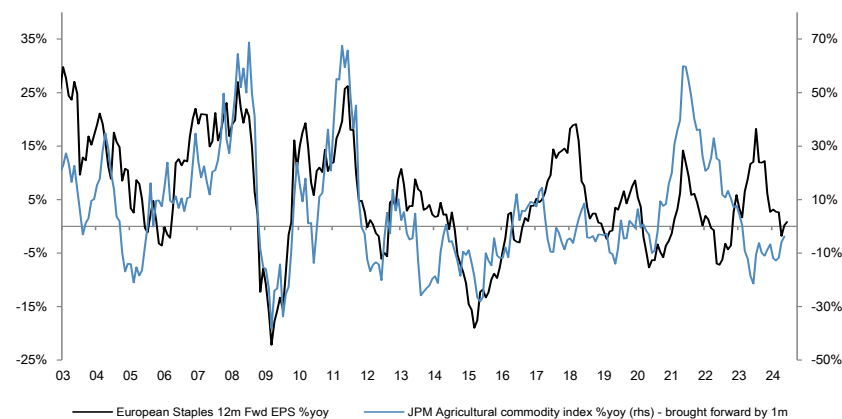
Source: J.P. Morgan European Food retail research,* 2023A for Ahold and Carrefour

Poland Food CPI vs PPI



Source: Bloomberg Finance L.P.

European Food retail 12m Fwd EPS vs JPM Agriculture commodity index

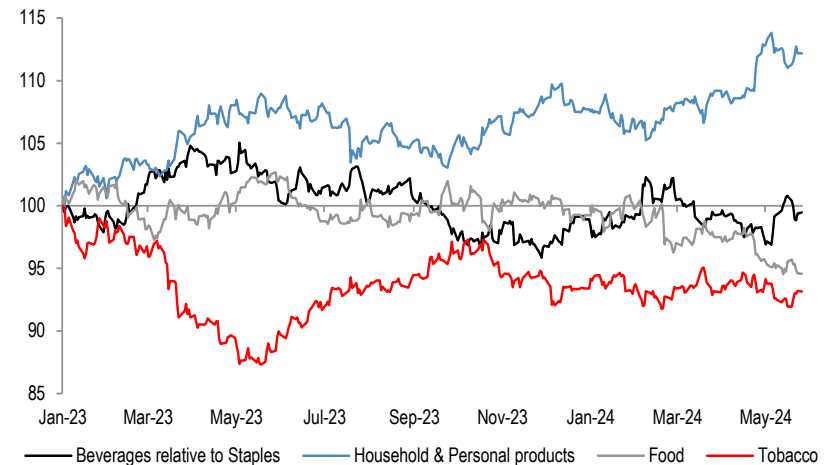


Source: IBES, J.P. Morgan

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

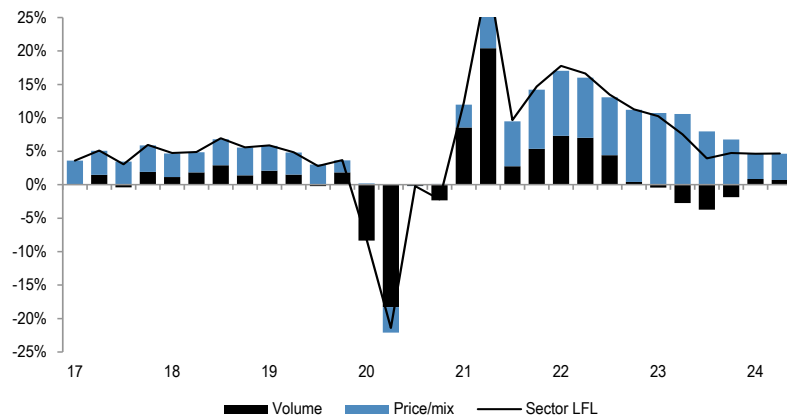
- Within Staples, Tobacco stocks have struggled over the last couple of years. Regulatory issues in the US weighed on the sector, but the outlook from here might be less negative.
- Beverages have also struggled more recently. Volumes for the sub-sector have been weak last year, but are projected to inflect higher. 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



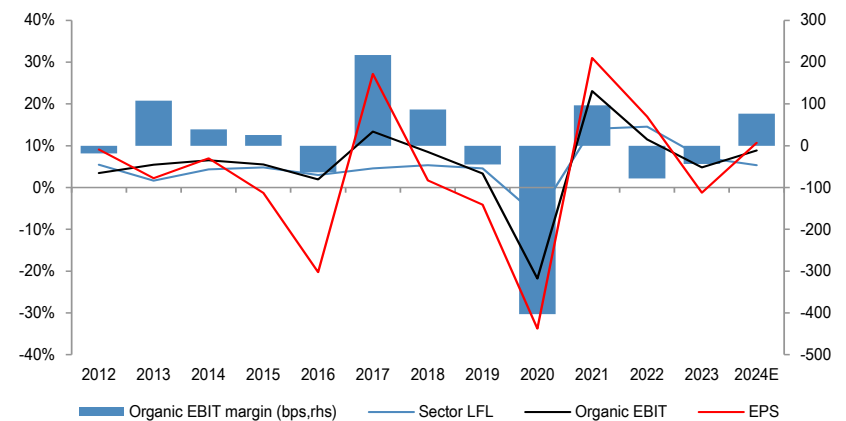
Source: Datastream

European Beverages top-line LFL, volume vs pricing



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

European brewer EBIT Margin and EPS

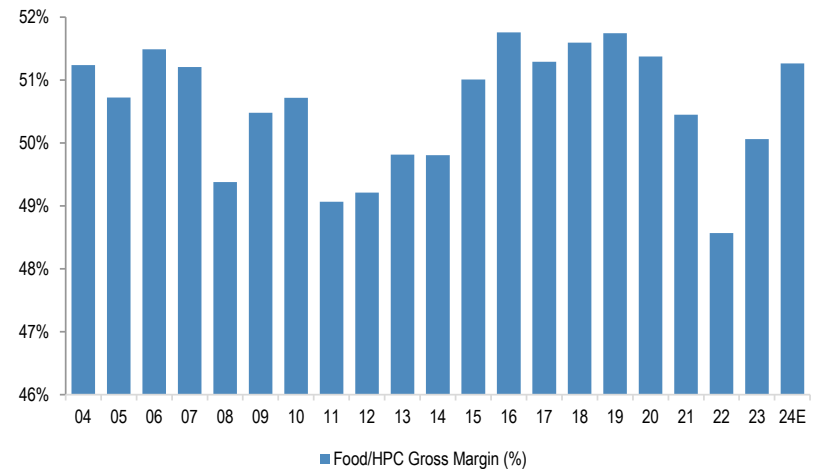


Source: J.P. Morgan European Staples Research

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

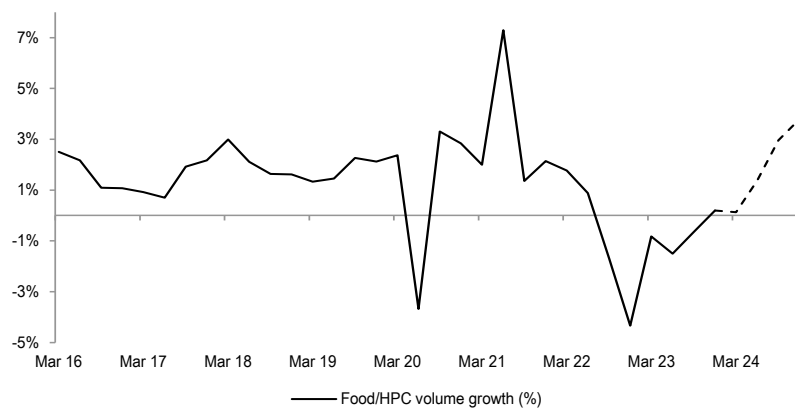
- Volumes for the food / HPC subsector are expected to rebound over the coming quarters.
- Our sector analysts are also calling for margins to improve as somewhat softer pricing is more than offset by declining COGS. Falling commodity prices should be a significant tailwind for the sector in 2024.
-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

European Food & HPC Adj. Gross margins



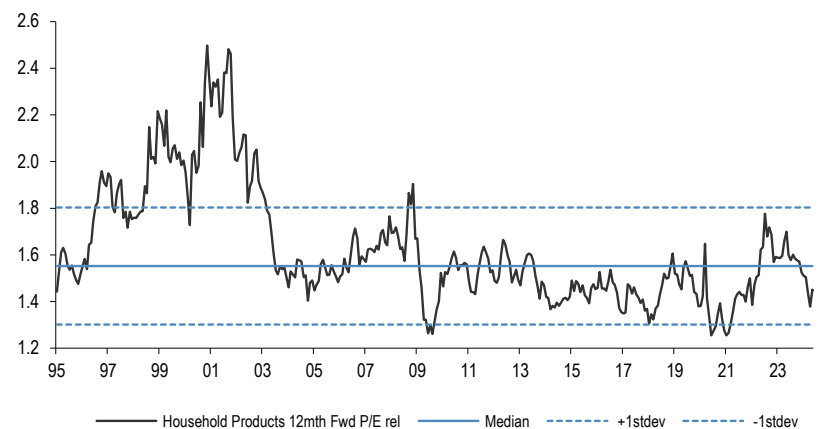
Source: J.P. Morgan European Staples research

European Food/HPC volume growth



Source: J.P. Morgan European Staples research

European HPC 12m Fwd. P/E relative



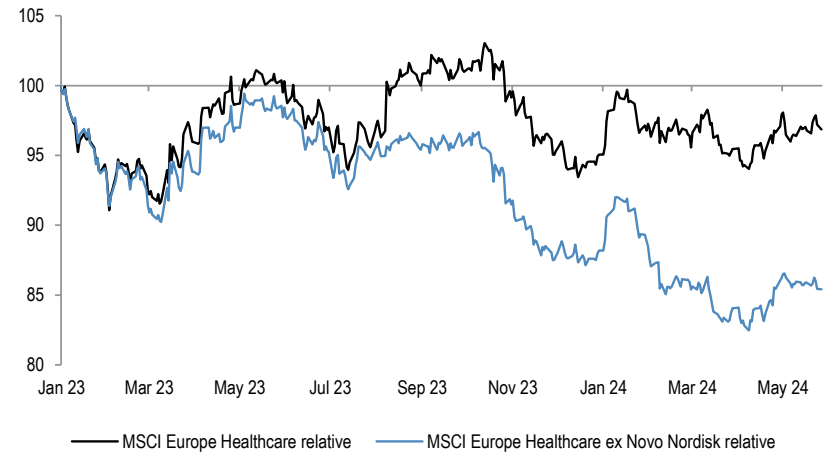
Source: IBES

HEALTHCARE: OVERWEIGHT

Potential for stronger dollar is the support...

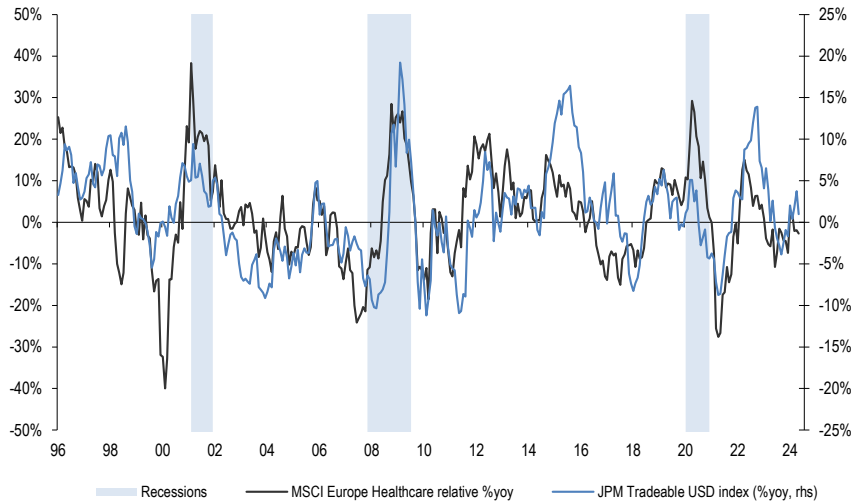
- Most of the sector performance can be attributed to a single stock, Novo Nordisk. Excluding Novo, which was supported by its GLP-1 drug, Healthcare is down 15% relative to the market since 2023.
- The sector has meaningful USD revenue exposure and tends to do better against a stronger dollar backdrop.
- Valuations have derated significantly.

European Healthcare relative



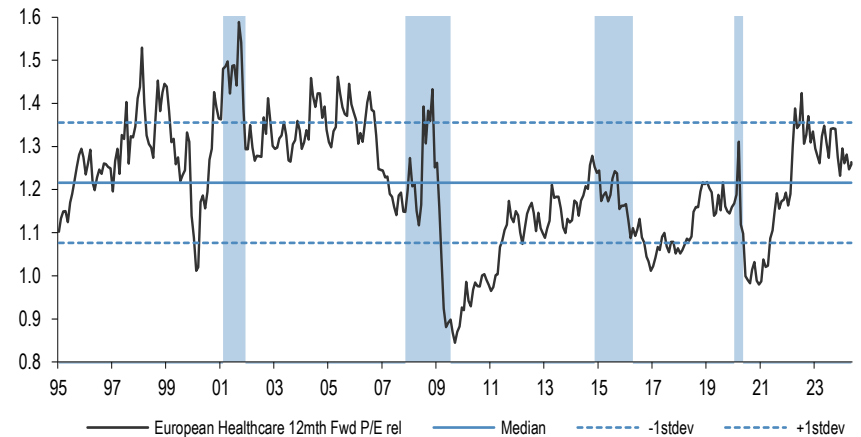
Source: Datastream

MSCI Europe Healthcare relative and tradeable USD



Source: Bloomberg Finance L.P.

European Healthcare 12m Fwd PE relative

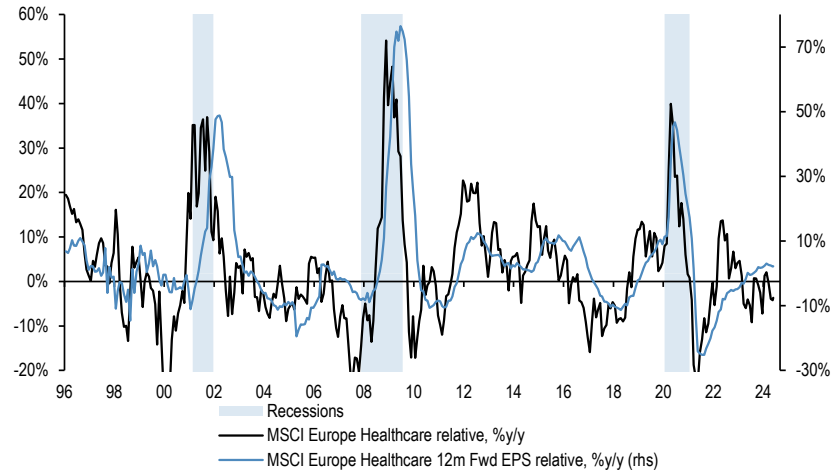


Source: IBES

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

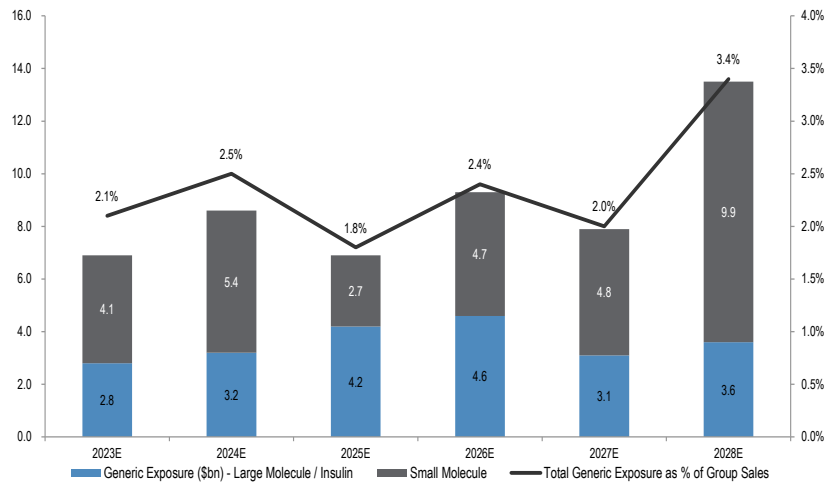
- Our sector analysts see upside potential to earnings, with new drugs pipeline, and patent expiry risk only at the end of the decade.
- Being a defensive sector, earnings are better insulated than the overall market during periods of economic weakness.
- The sector is also a traditional bond-proxy and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

European Healthcare 12m Fwd EPS and price relative



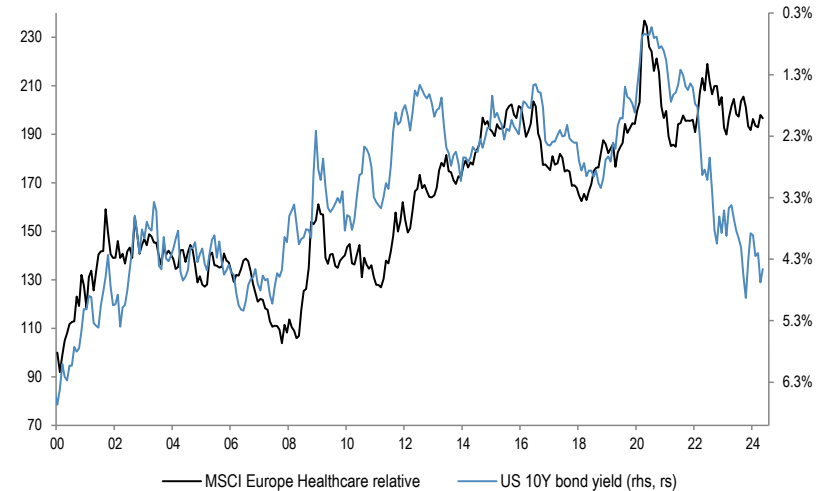
Source: IBES

Pharma Generics erosion timeline



Source: JPM European Healthcare Research

Healthcare price relative and 10Y bond yield



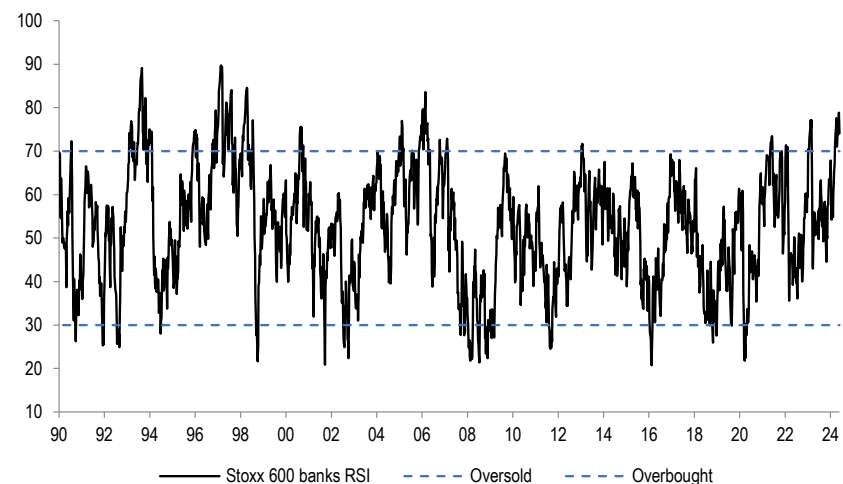
Source: Datastream

FINANCIALS: UNDERWEIGHT

UW Banks – overbought on RSI and vulnerable to peaking earnings...

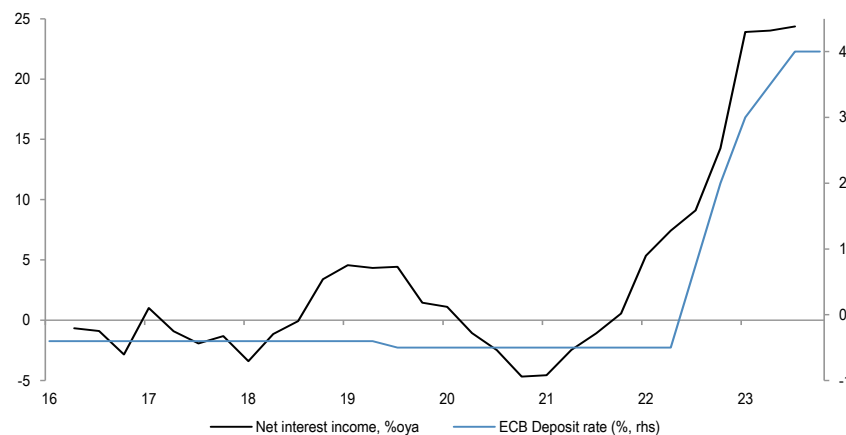
- Post the strong run, Banks look stretched on RSI metric. The sector still screens attractive on P/E relative; however, we believe that the advantage of higher rates is now behind us, and NII for Banks is likely to peak out.
- ECB is about to commence rate cuts, which typically was a problem for Banks performance.

Stoxx600 Banks RSI



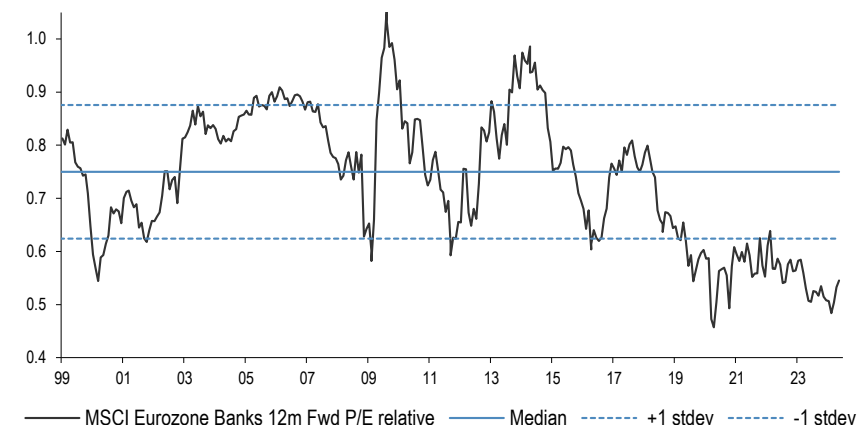
Source: Datastream

Banks Net interest income and ECB deposit rate



Source: J.P. Morgan

Eurozone Banks 12m Fwd P/E relative

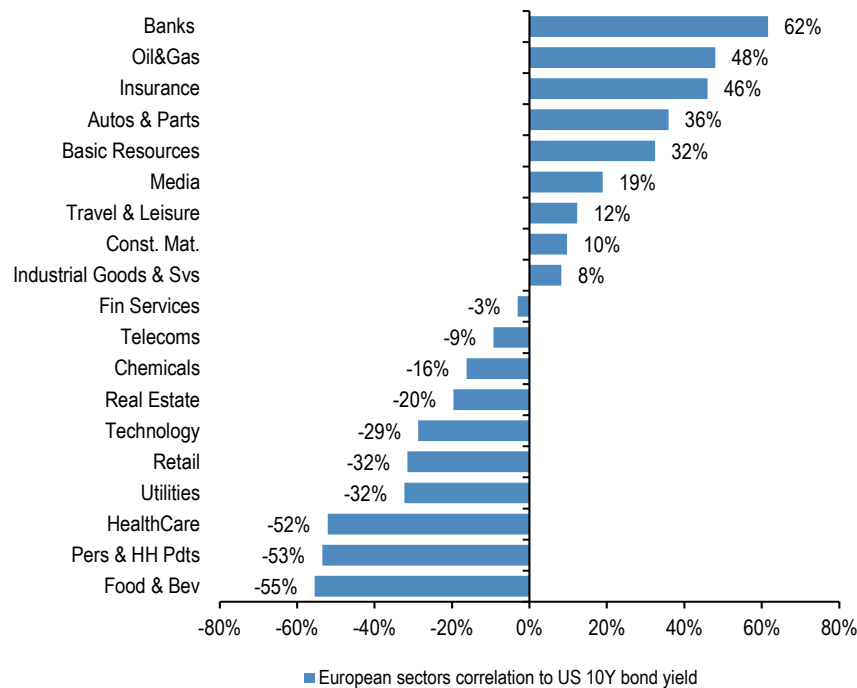


Source: IBES

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

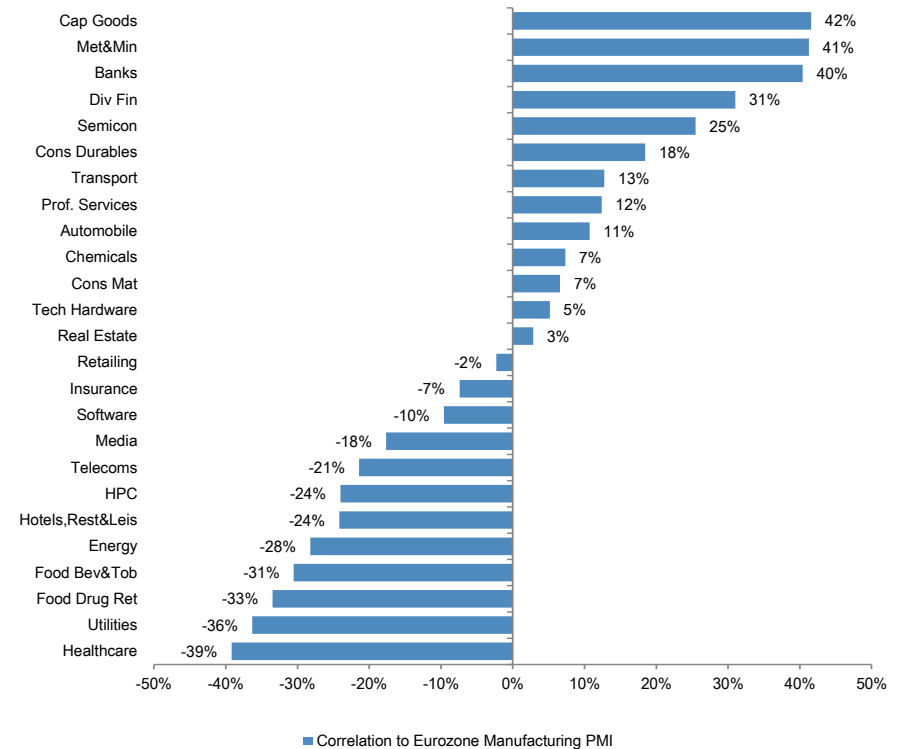
- Banks exhibit the highest sensitivity to the direction of bond yields, out of all sectors. If yields move lower, as we expect, that will be a problem for Banks.
- Similarly, Banks are unlikely to work if PMIs are weakening.

European sectors correlation to bond yields



Source: Bloomberg Finance L.P.

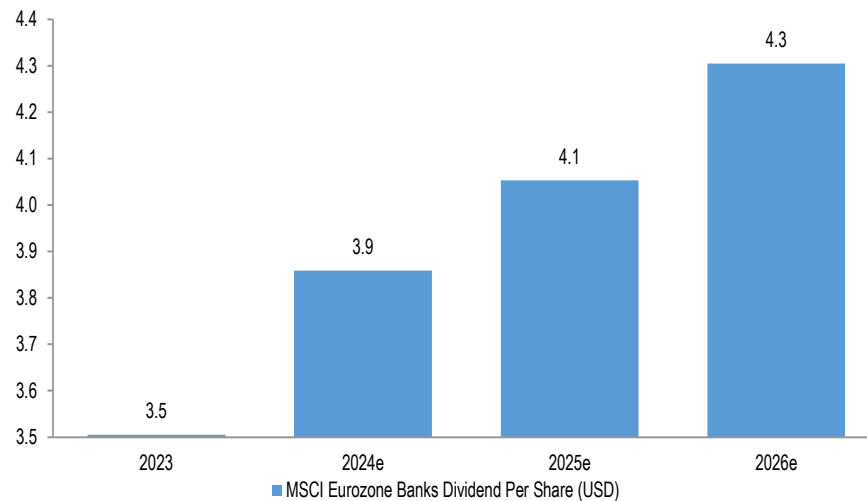
European sectors correlation to Eurozone manufacturing PMI



Source: Bloomberg Finance L.P.

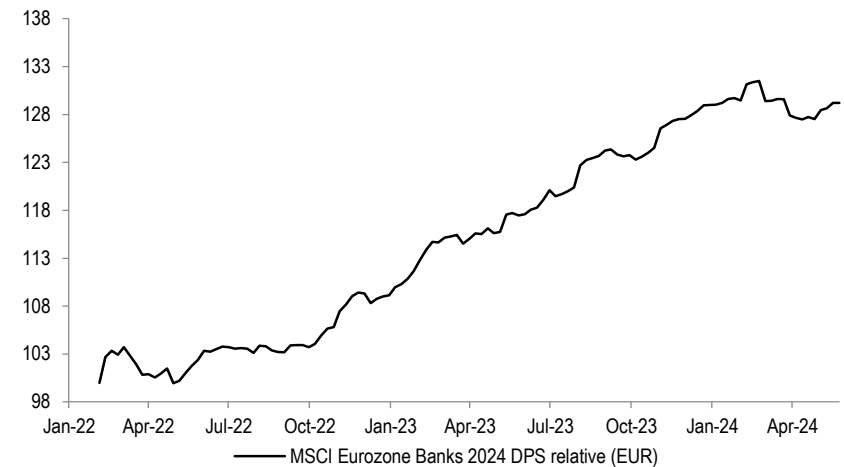
...this could imperil dividends outlook, which was the bright spot over the past two years

Eurozone Banks dividends projections



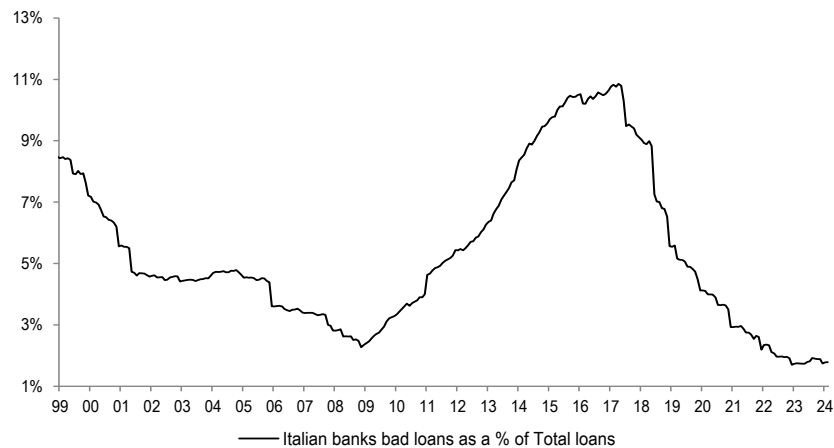
Source: IBES

MSCI Eurozone Banks 2024 DPS forecast relative



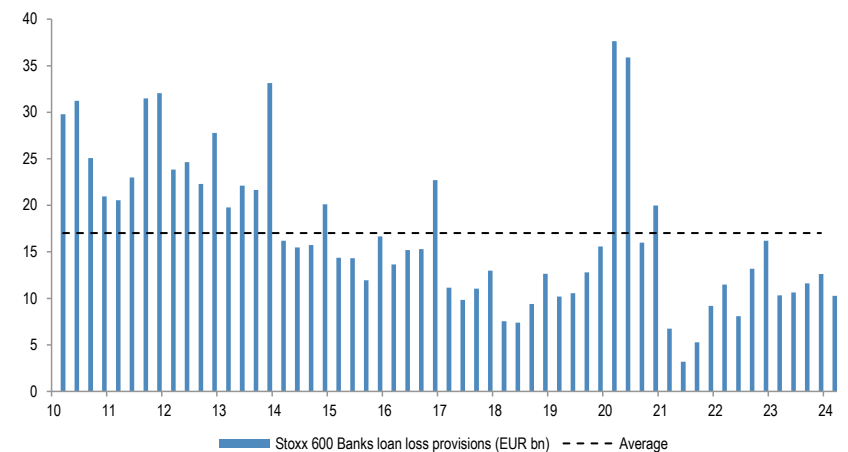
Source: IBES

Italian bad loans as a % of total loans



Source: Banca d'Italia

Stoxx 600 Banks loan loss provisions

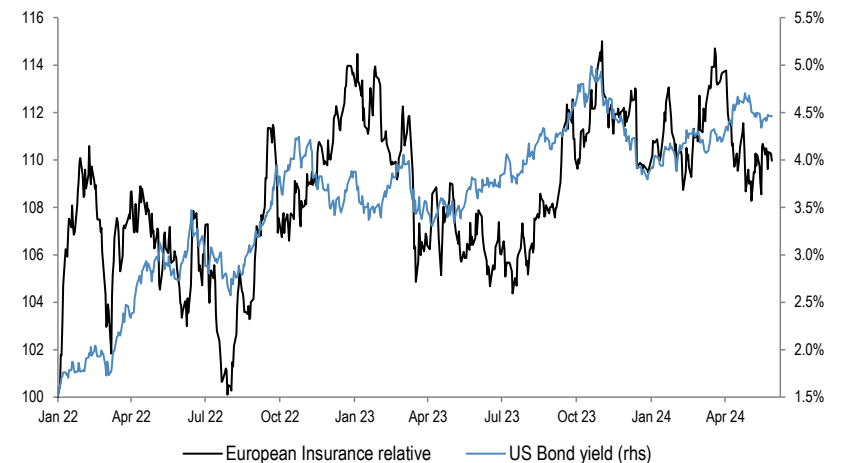


Source: Bloomberg Finance L.P.

N Insurance – closely linked to bond yields and to credit spreads, strong capital position and pricing are supports

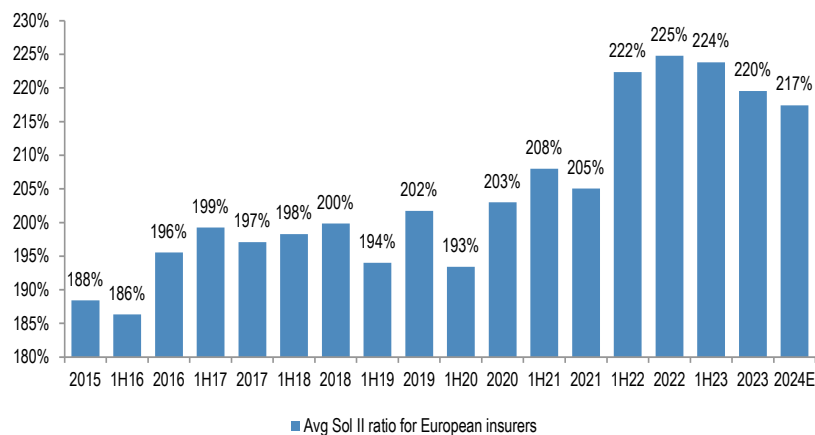
- The sector has a positive correlation with bond yields and will likely struggle if bond yields fall.
- Global and US property catastrophe rates are at their highest levels since 2006 and our analysts don't think they will be coming down any time soon. This underpins the case for a resilient pricing 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



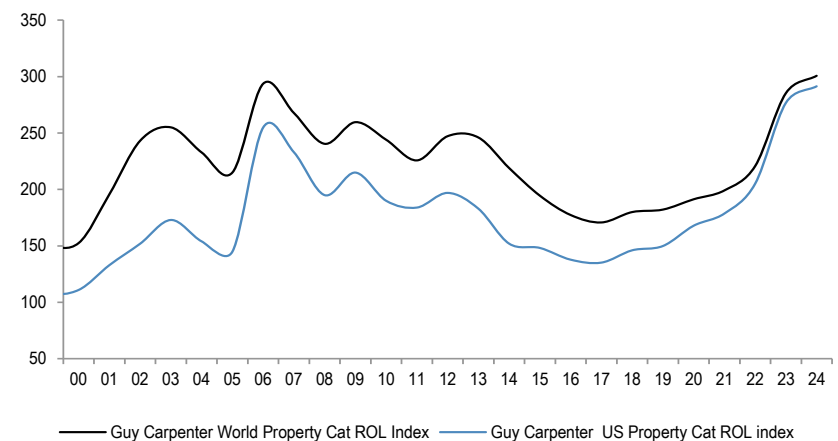
Source: Bloomberg Finance L.P.

Avg Sol II ratio for European Insurers



Source: JPM European Insurance Research

Guy Carpenter US and World Property Cat ROL Index

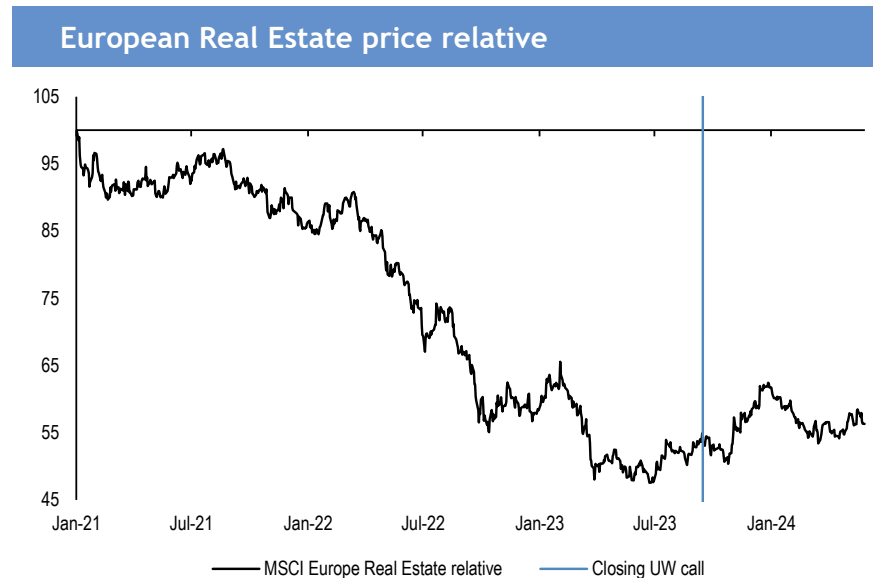


Source: JPM European Insurance Research

REAL ESTATE: OVERWEIGHT

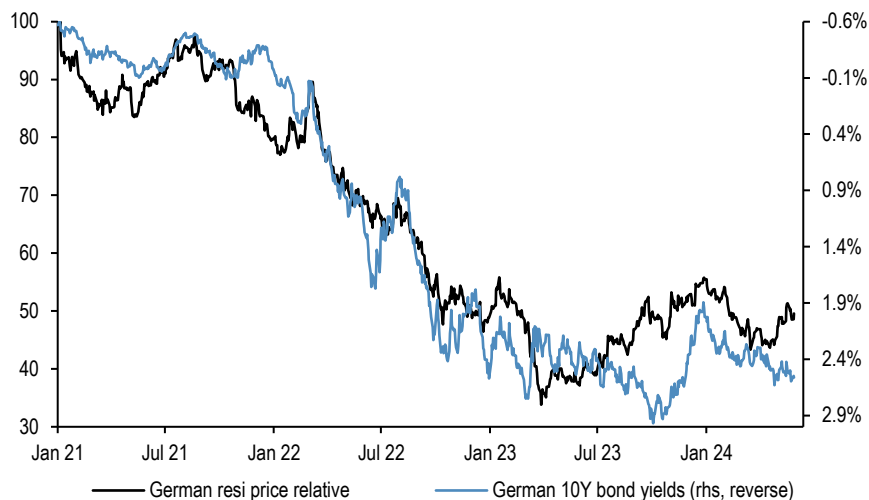
Bond proxy; cheap, more attractive after 2 poor years

- The Real Estate sector has lost nearly half of its market capitalization relative to the market from Jan '21 to last October. Given the weak performance, we upgraded the sector to OW in November. The sector is a bond proxy and does well when yields are moving lower.
- Within the sector, offices in particular suffered due to the structural changes brought on by COVID. However, utilization rates are improving as more organizations push to get employees back in offices.
- Fundamentally, data centers and industrial demand remain robust and rental growth remains strong.



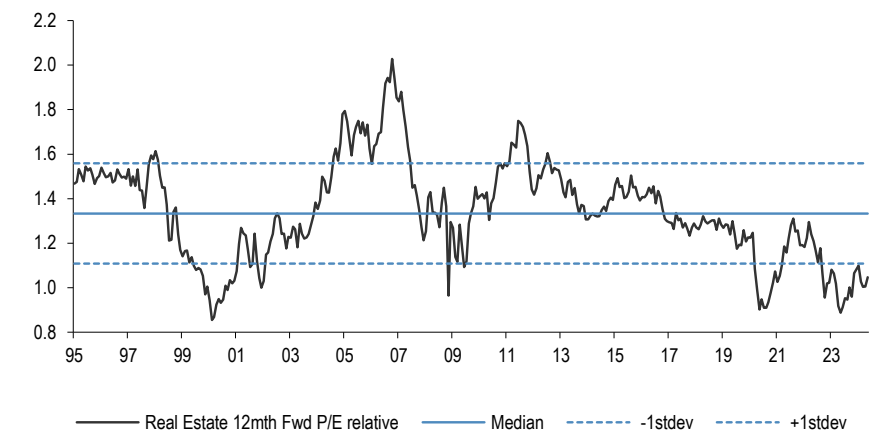
Source: Datastream

German Real Estate price relative and German bond yields



Source: Bloomberg Finance L.P.

MSCI Europe Real Estate 12m Fwd P/E relative



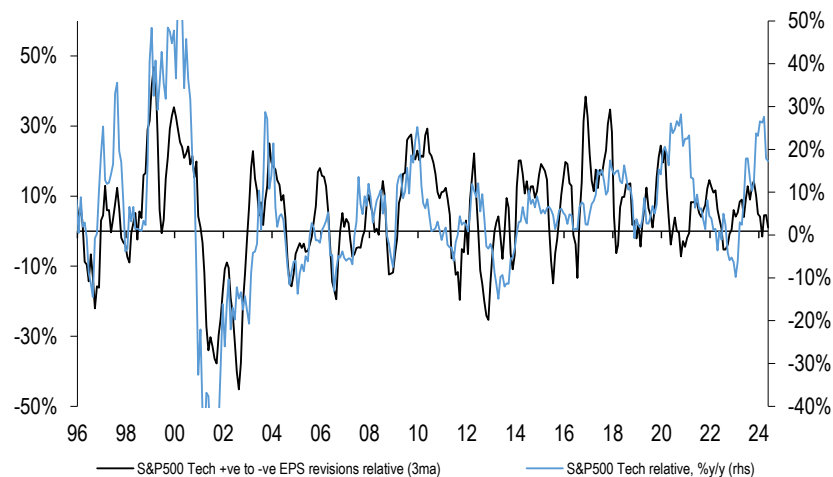
Source: Datastream

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 bond yields will move lower, we are uncomfortable to chase the Tech sector anymore, post the strong run. Having said that, Tech is still displaying better earnings growth than the rest of the market.

US Tech +ve to -ve EPS revisions and performance



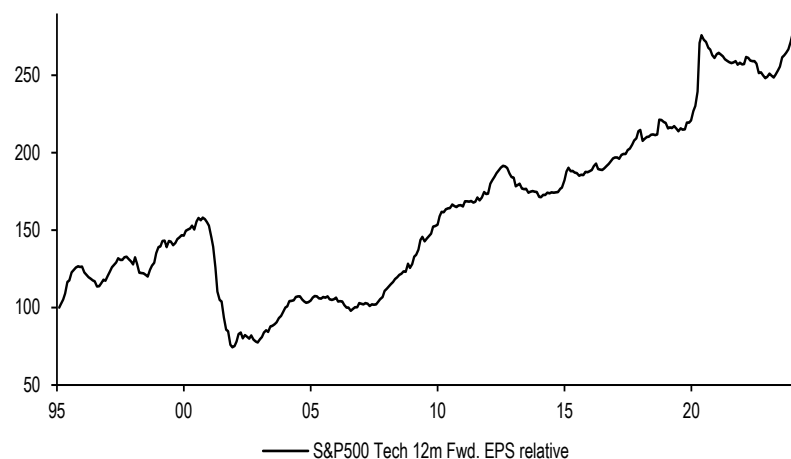
Source: IBES

S&P500 Tech relative



Source: Datastream

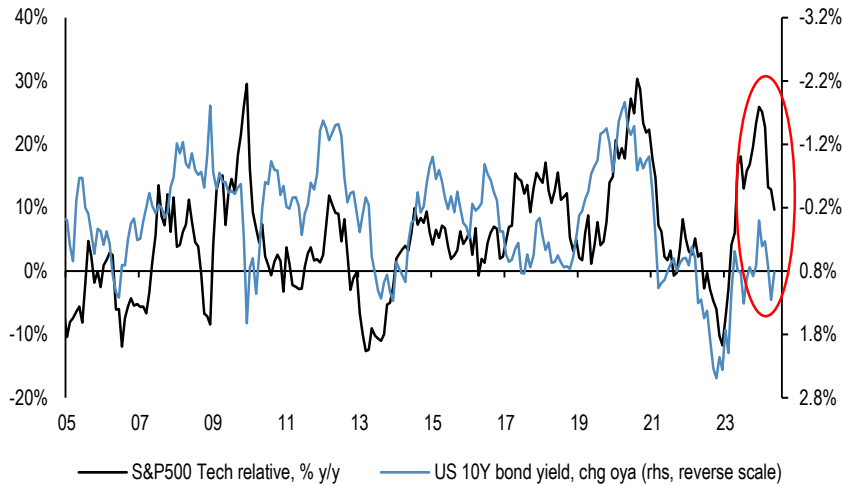
S&P500 Tech 12m Fwd EPS relative



Source: IBES

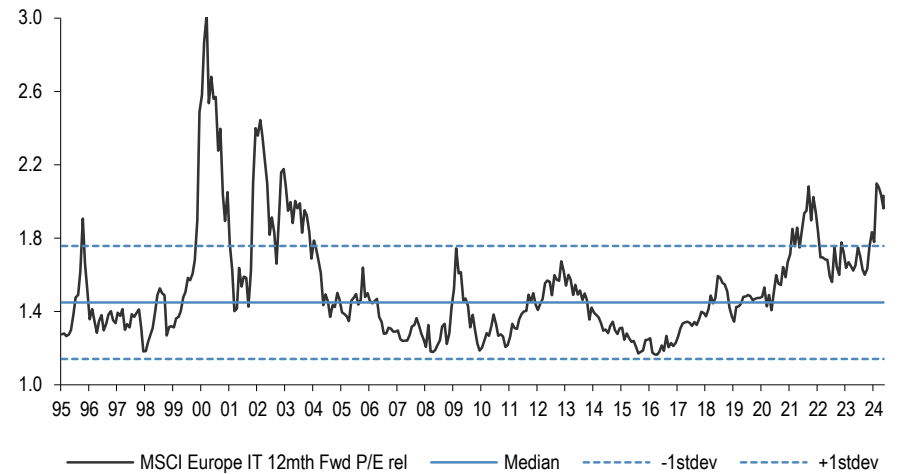
...Tech bounce appears to have over-discounted the fall in yields and valuations look elevated

S&P500 Tech relative and US 10Y bond yield



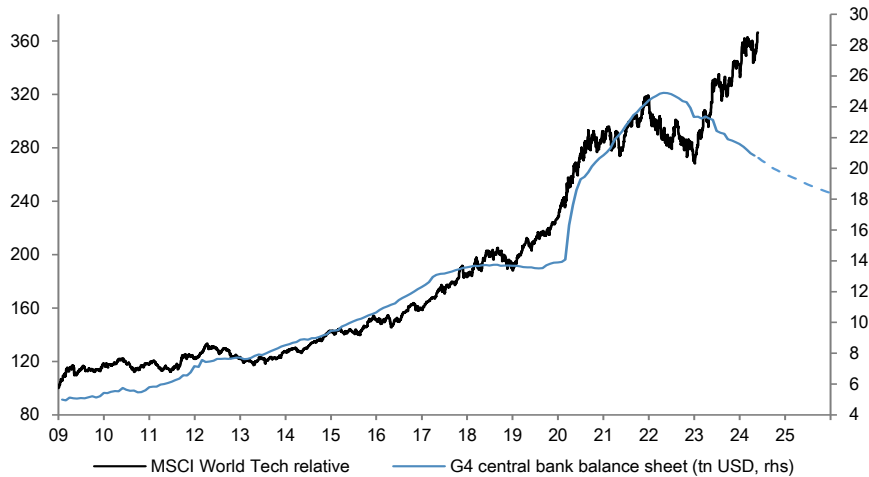
Source: Datastream

MSCI Europe Tech relative



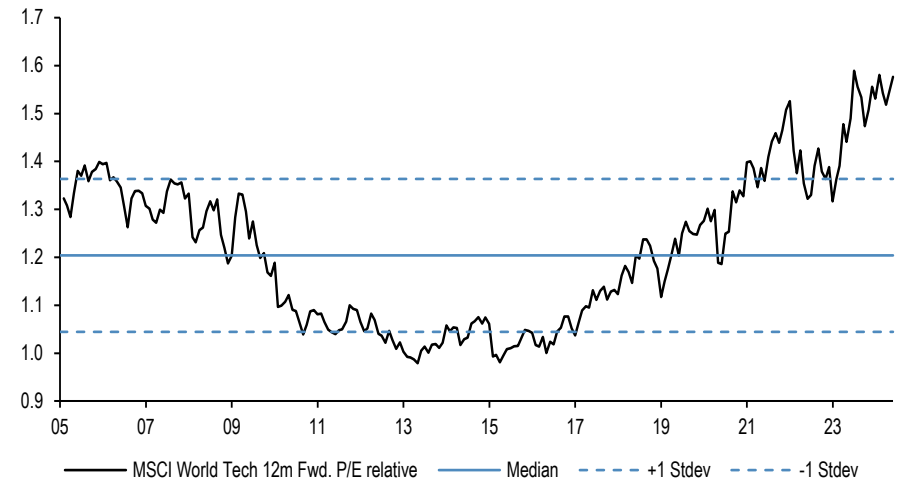
Source: IBES

MSCI World Tech relative and G4 central bank balance sheet



Source: Datastream

MSCI World Tech 12m Fwd. P/E relative

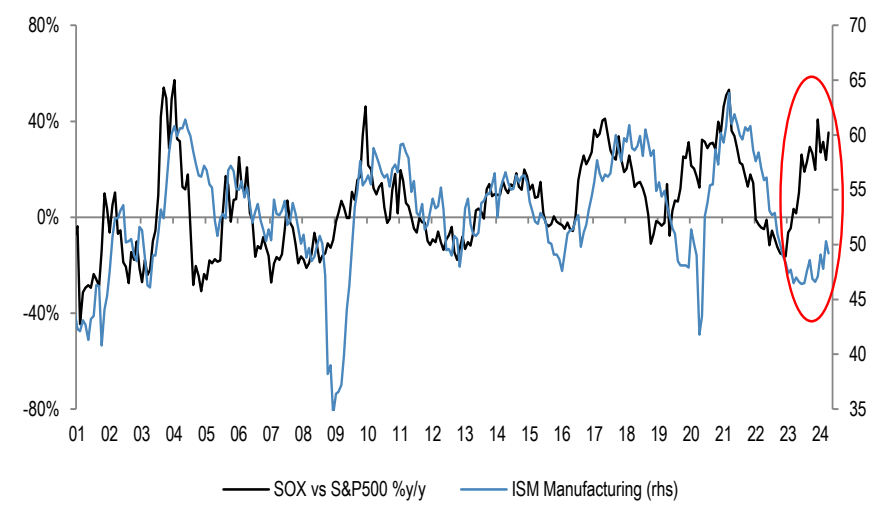


Source: IBES

UW Semis – inventory and pricing could be the headwinds

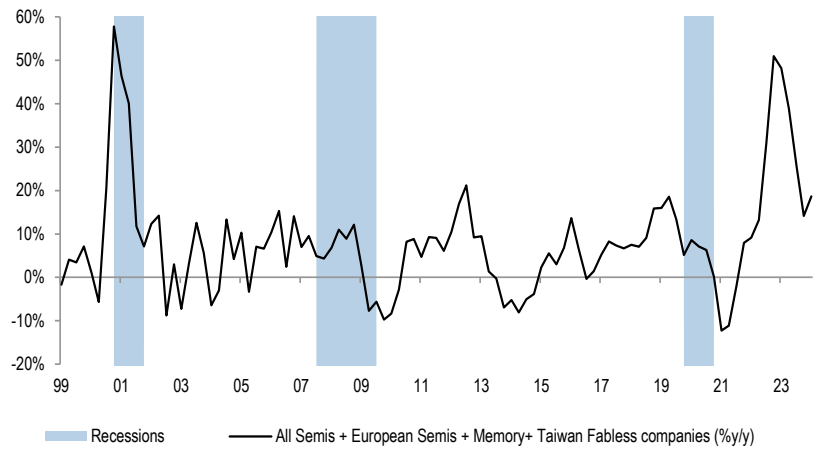
- Semis had a very strong run over the past 18 months. US Semis index is already discounting a rebound in ISM manufacturing, which may not continue.
- Inventory levels are high, we could see some destocking over the coming quarters, putting pressure on demand. This is likely to translate into weaker pricing and margins for the sector.
- Valuations look outright expensive, and more capacity is coming on stream.

SOX relative and ISM



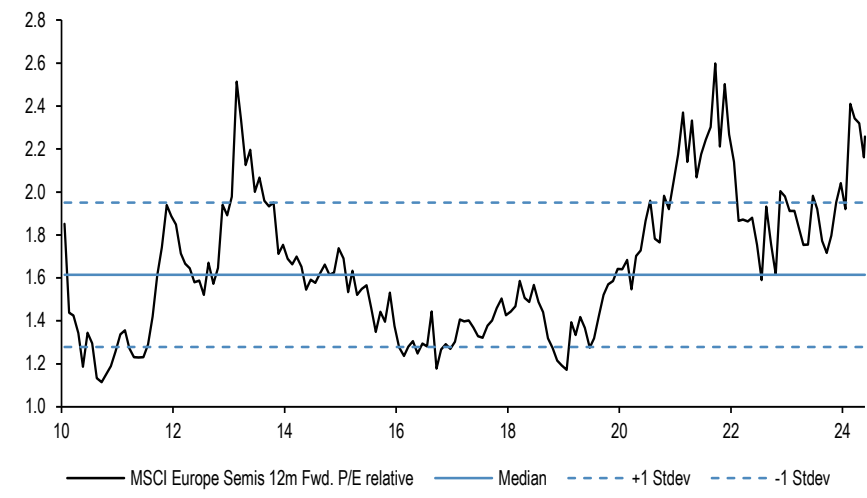
Source: IBES

Global semiconductor inventory %y/y



Source: JPM European Technology Research

MSCI Europe Semis 12m Fwd PE relative



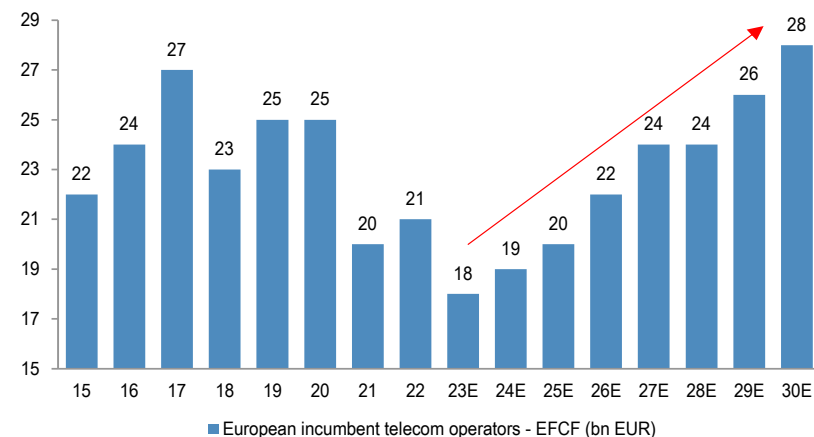
Source: IBES

COMMUNICATION SERVICES: OVERWEIGHT

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

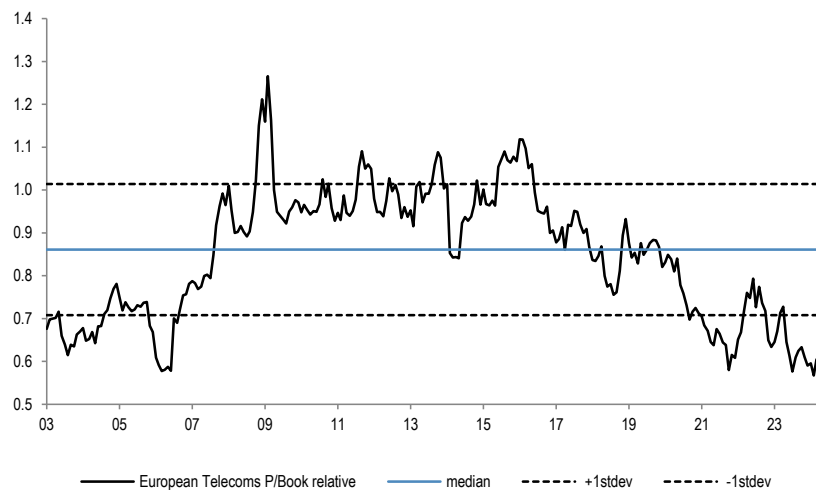
- Telecoms balance sheets have improved materially in the past few years. The sector offers close to 19% FCF yield, well above the overall market, and the companies offer attractive dividends that are well covered.
- A combination of better pricing and lower capex is helping the sector generate significantly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

European incumbent Telecom operators - FCF



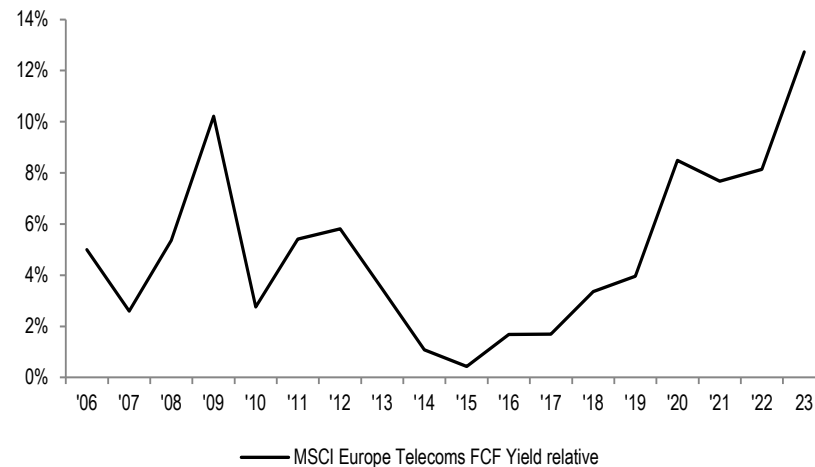
Source: J.P. Morgan Telecoms Research

European Telecoms Price to Book relative



Source: Datastream

European Telecoms FCF yield relative



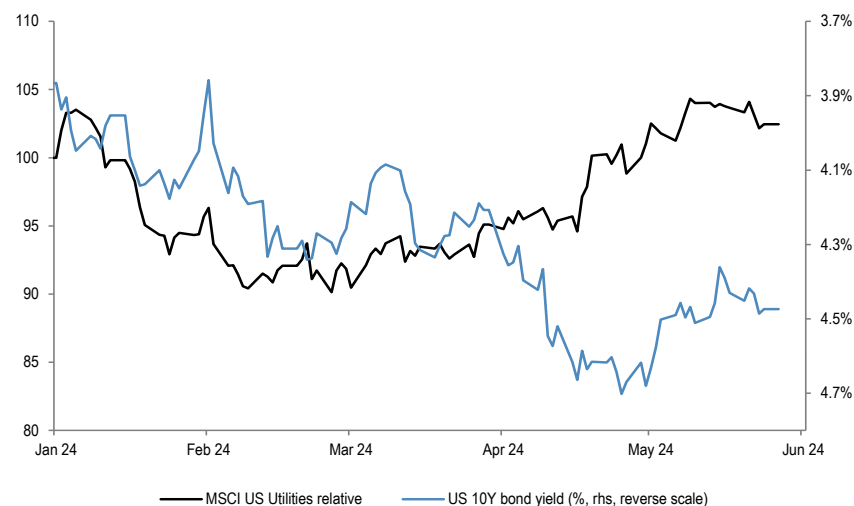
Source: Datastream

UTILITIES: OVERWEIGHT

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

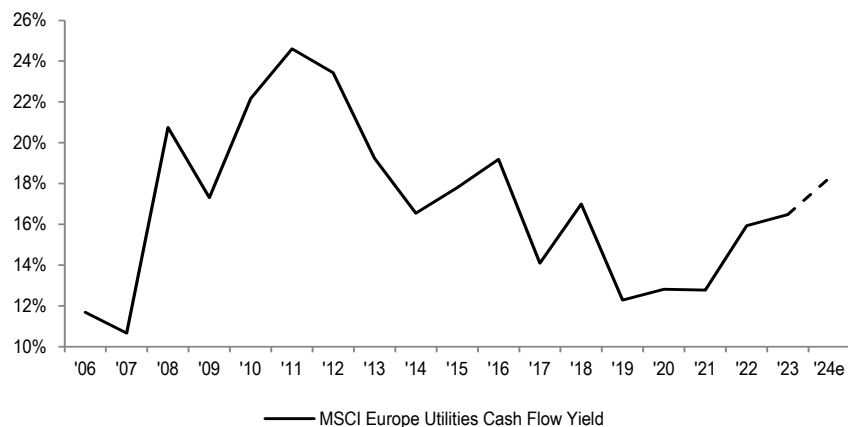
- The Utilities sector is starting to trade better and has recovered some of its underperformance in the last few weeks.
- We believe that the sector will work even if bond yields rise further from here. Higher yields would likely weigh on the overall market, in our view, which could make the low beta of Utilities more attractive. If yields stop going higher, as JPM FI team expects, then the sector could see a respite, anyway.
- The sector benefits from resilient pricing and cash flow, and power prices are likely bottoming.

European Utilities relative and bond yields



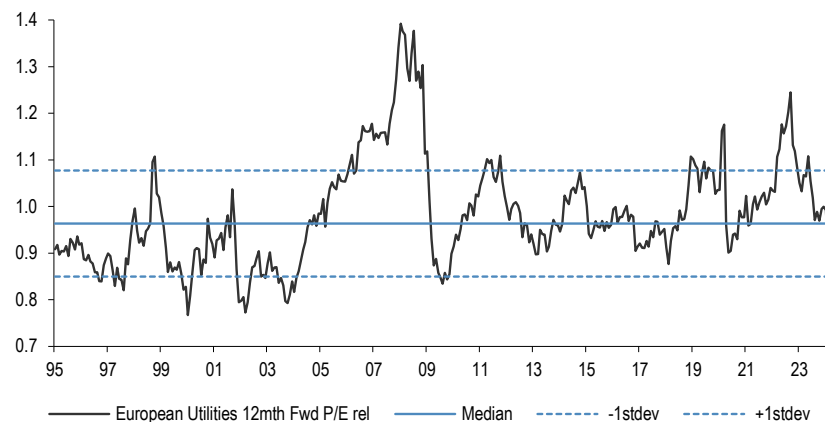
Source: Datastream

Utilities FCF yield



Source: Bloomberg Finance L.P.

European Utilities P/E relative

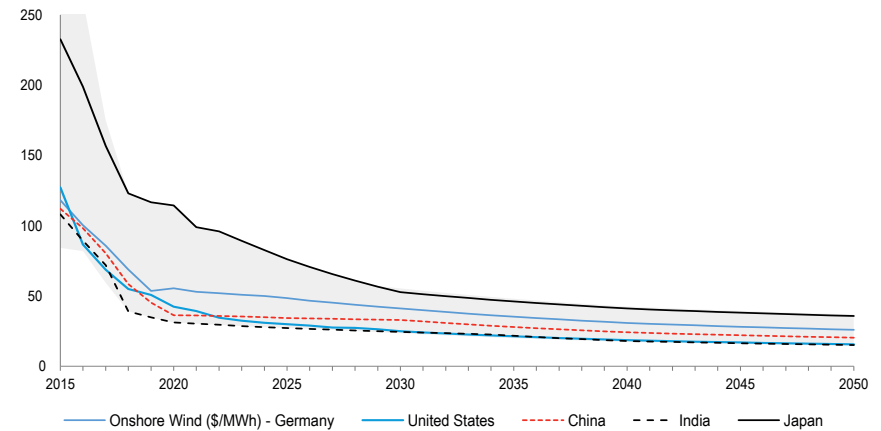


Source: IBES

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

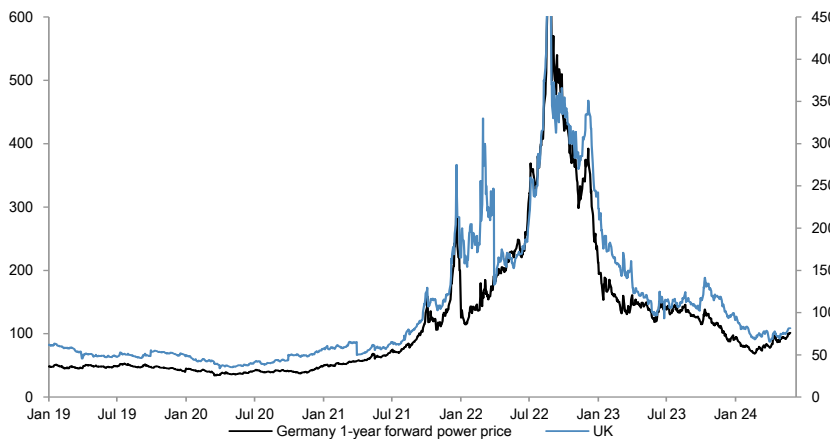
- The key argument that continues to drive the structural opportunity for the sector is the move towards renewables as they are more leveraged to real rates and cost of funding might be peaking.
- Earnings for the sector have been quite resilient despite the fall in power prices. European power prices rose sharply after Russia's invasion of Ukraine but have been falling for the last couple of years. Further downside may be limited given the significant weakness and the more medium-term focus on decarbonization. Overall, power prices are still higher than pre-Ukraine, but the sector is trading cheaper than then.

Cost of Onshore wind (\$/MWh)



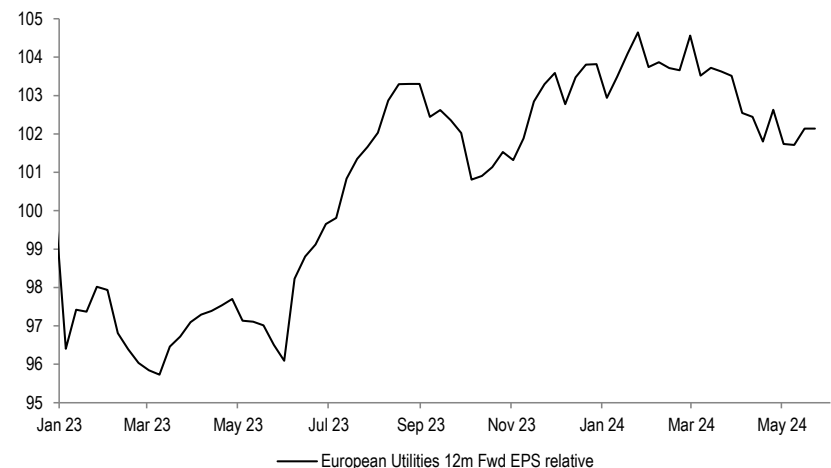
Source: Bloomberg Finance L.P., NEF

UK and Germany 1-year power forward



Source: JPM European Utilities Research team

European Utilities 12m Fwd EPS relative

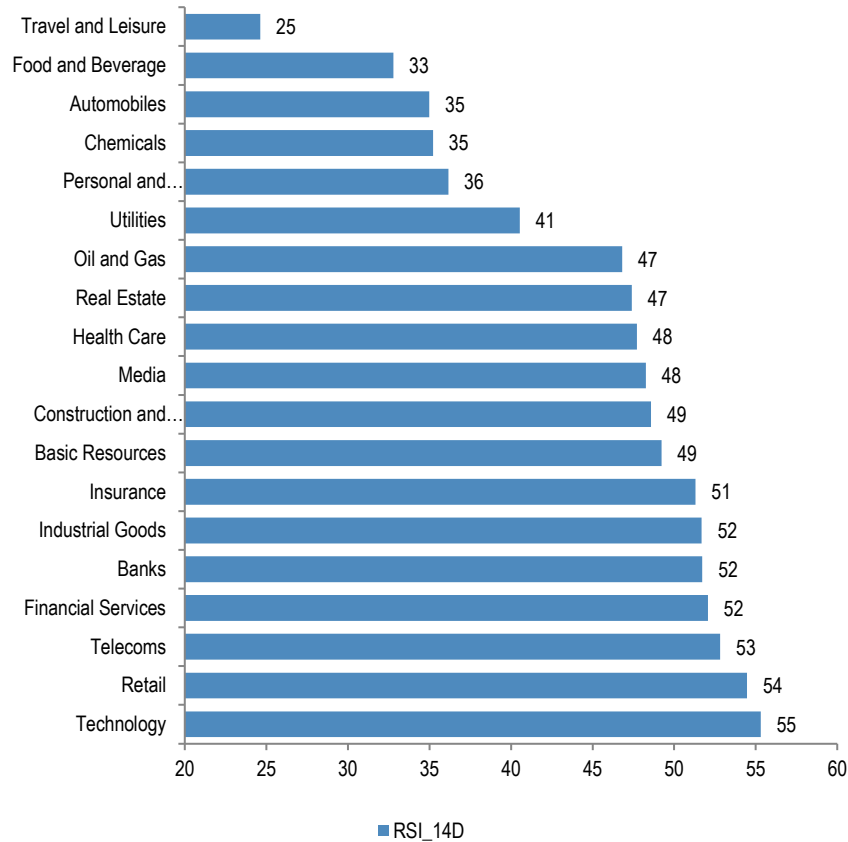


Source: IBES

Technical

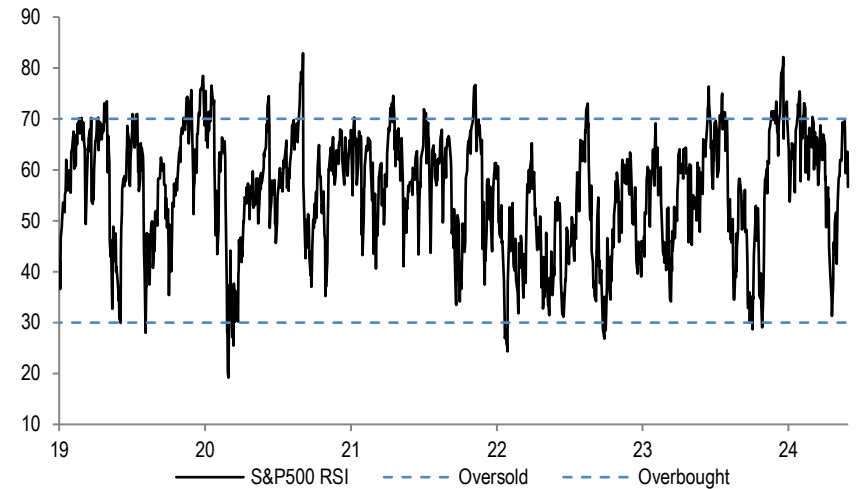
Equities RSI are softening

SXXP sectors RSI



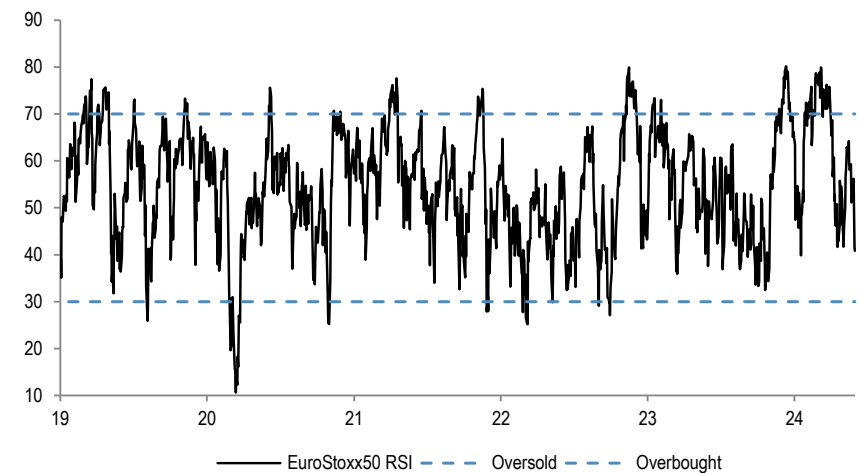
Source: Bloomberg Finance L.P

S&P500 RSI



Source: Bloomberg Finance L.P

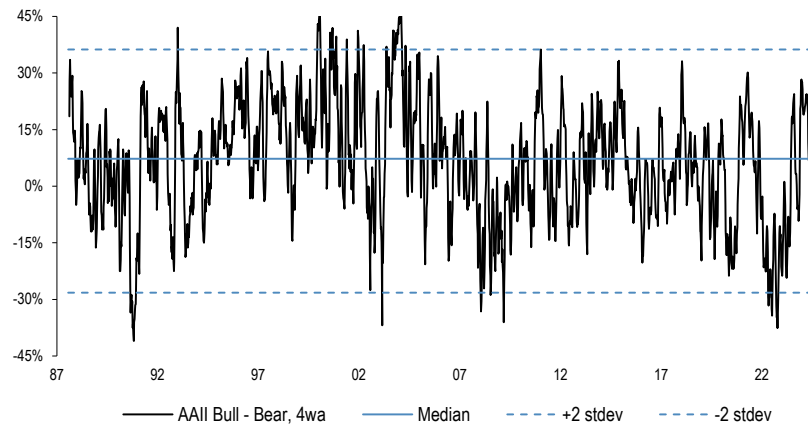
SX5E RSI



Source: Bloomberg Finance L.P

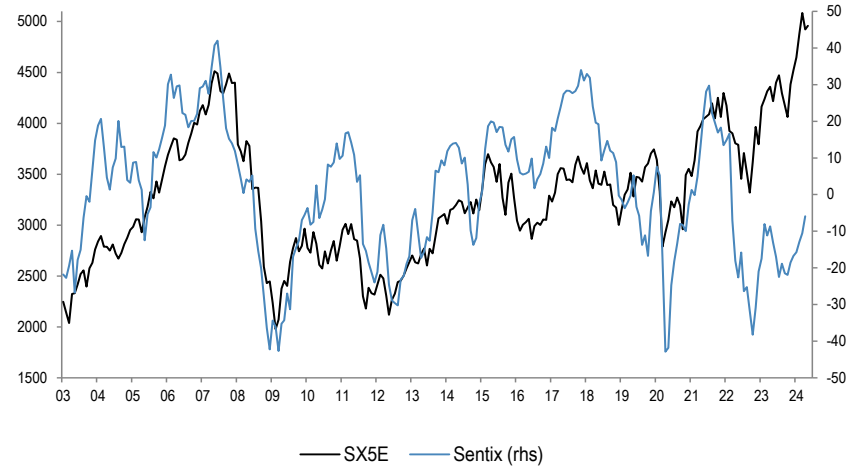
Flows into International equities are still weak

AAll Bull-Bear



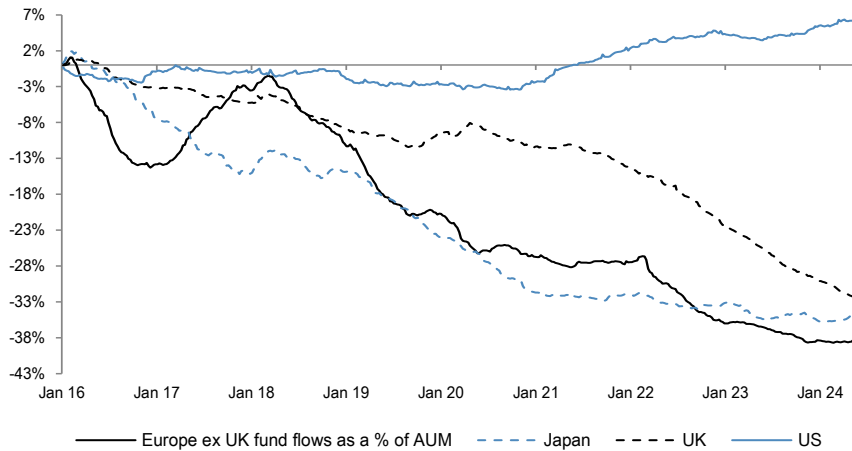
Source: Bloomberg Finance L.P

Sentix sentiment index vs SX5E



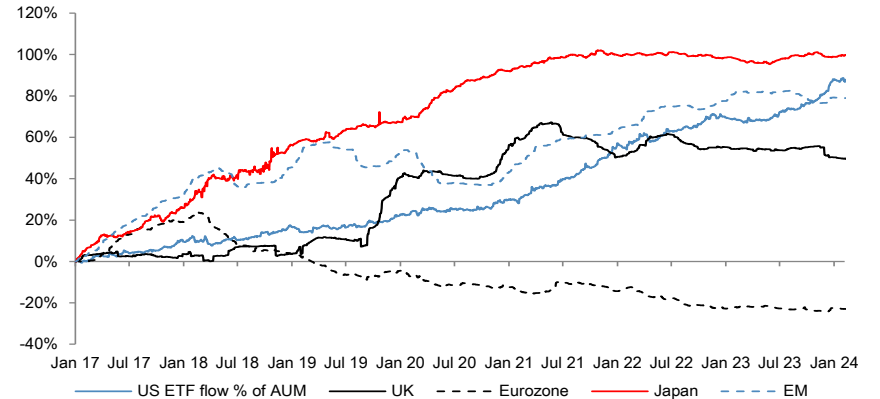
Source: Bloomberg Finance L.P

Cumulative fund flows into regional funds as % of AUM



Source: EPFR, as of 22nd May, 2024. Japan includes Non-ETF purchases only

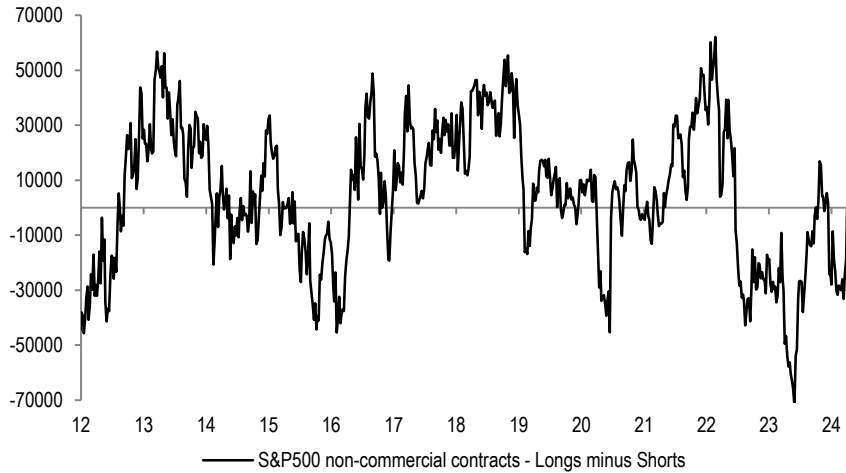
Cumulative fund flows into regional equity ETFs as % of AUM



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

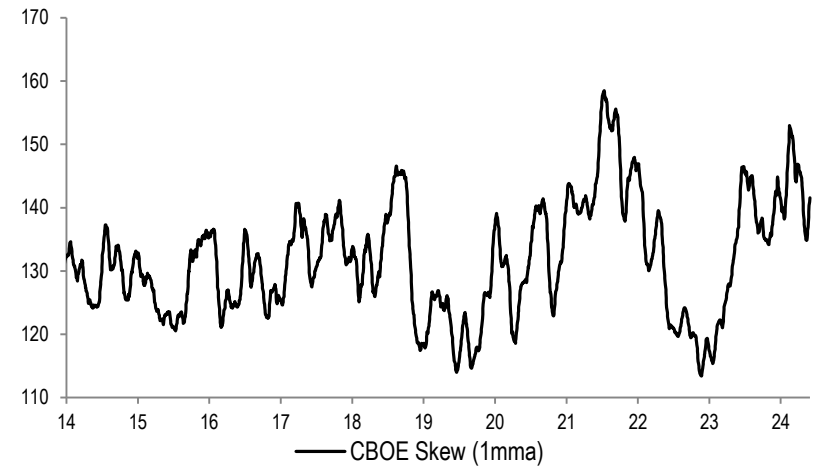
Seasonals are worsening from here

Speculative positions on S&P500 futures contracts



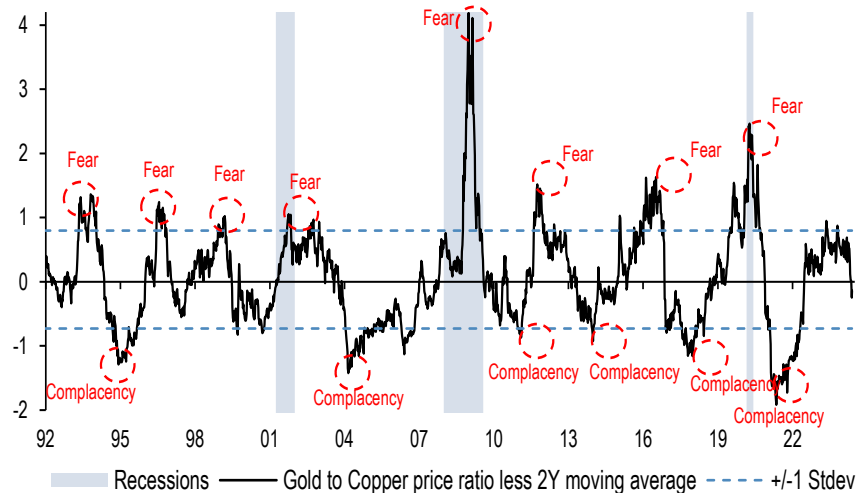
Source: Bloomberg Finance L.P

Equity skew



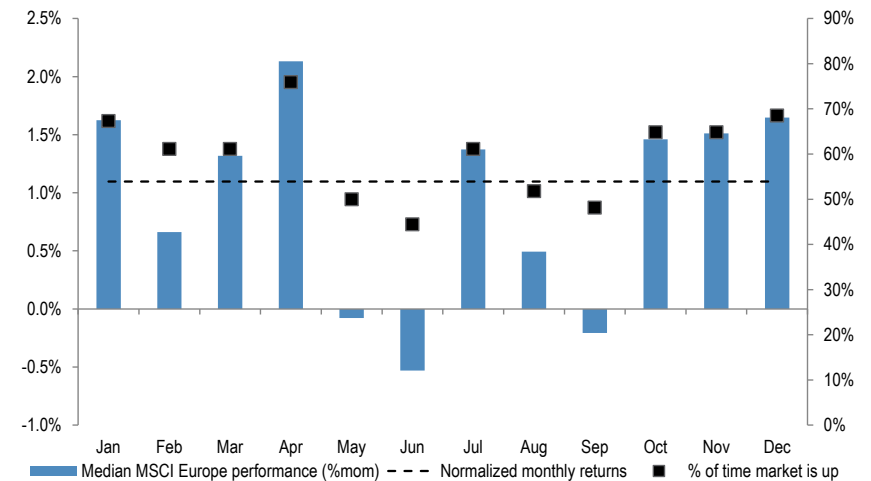
Source: Bloomberg Finance L.P

Gold-to-Copper price ratio



Source: Bloomberg Finance L.P.

Seasonality* of MSCI Europe performance



Source: Datastream, *Median since 1970

Equity Flows Snapshot

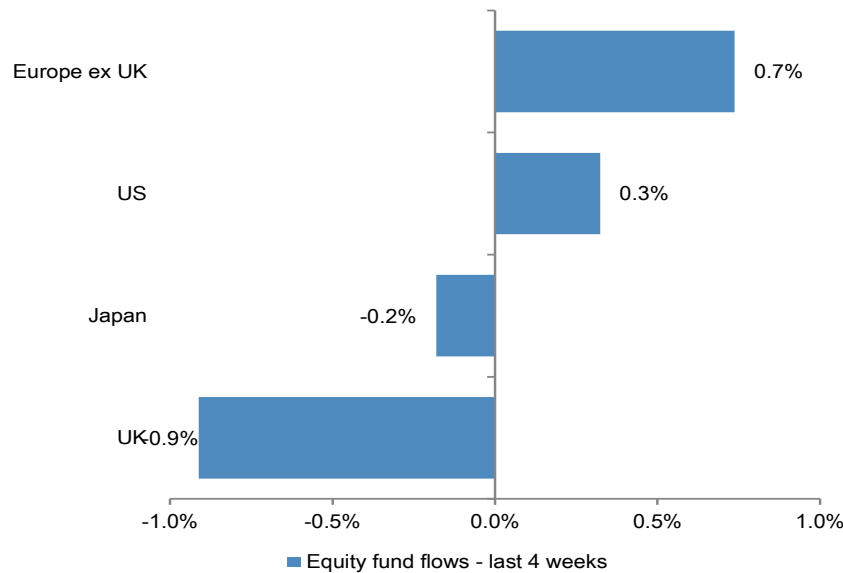
DM Equity Fund Flows Summary

Regional equity fund flows

	\$mn					% AUM				
	1w	1m	3m	ytd	12m	1w	1m	3m	ytd	12m
Europe ex UK	-212	2,510	3,197	1,362	-7,797	-0.1%	0.7%	1.0%	0.4%	-2.5%
UK	-669	-2,476	-7,653	-10,330	-27,783	-0.2%	-0.9%	-2.9%	-3.8%	-10.1%
US	12,197	33,480	85,977	98,975	267,643	0.1%	0.3%	0.9%	1.0%	3.3%
Japan	-5,888	-1,463	9,992	15,983	29,142	-0.7%	-0.2%	1.2%	2.1%	4.2%

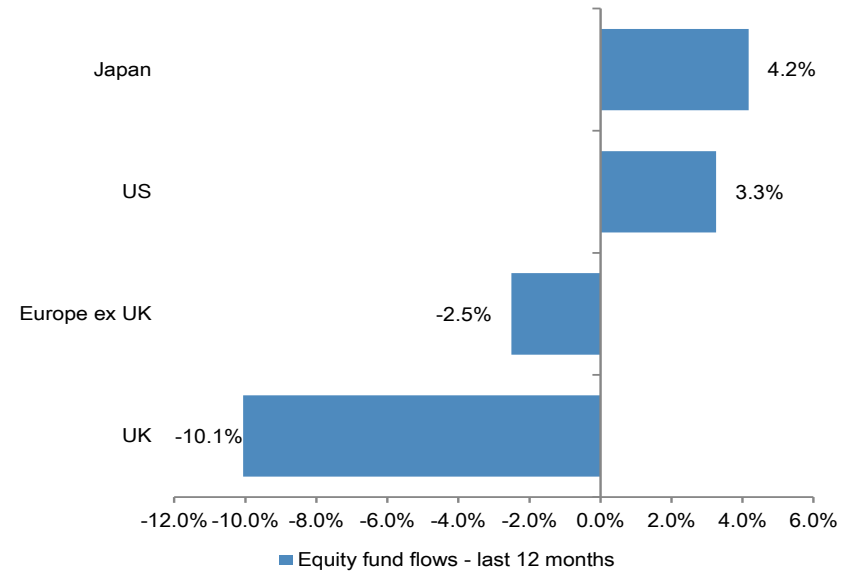
Source: EPFR

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	18.2	15.8	-13%	3.4	2.3	-33%	31.4	24.7	-21%	2.2	1.4	-37%
Energy	10.6	14.3	35%	1.5	1.7	10%	16.5	16.7	2%	1.1	0.9	-14%
Chemicals	19.9	15.8	-21%	2.2	1.9	-13%	19.4	24.0	24%	1.9	1.3	-30%
Const Mat	15.6	14.2	-9%	2.5	1.7	-30%	25.9	20.2	-22%	1.8	1.0	-47%
Metals&Mining	13.4	13.1	-2%	1.8	1.6	-13%	18.9	19.7	4%	1.2	0.9	-21%
Capital Goods	19.1	16.1	-15%	2.2	1.9	-15%	21.3	20.0	-6%	1.7	1.0	-44%
Transport	17.7	16.1	-9%	2.2	2.1	-5%	20.2	26.4	30%	1.6	1.2	-24%
Business Services	24.6	18.9	-23%	-	-	-	-	-	-	3.0	1.3	-57%
Automobile	10.7	11.6	8%	1.5	1.4	-1%	15.3	18.9	24%	0.8	0.5	-33%
Cons Dur	17.6	17.5	0%	5.4	2.8	-49%	41.3	34.0	-18%	1.9	1.2	-39%
Media	21.3	20.0	-6%	2.7	2.4	-10%	27.4	28.9	5%	3.8	1.8	-53%
Retailing	26.6	20.9	-22%	6.1	3.1	-49%	40.7	32.9	-19%	2.2	1.2	-45%
Hot,Rest&Leis	23.8	19.1	-20%	5.7	2.5	-57%	24.8	32.0	29%	3.0	2.1	-29%
Food&Drug Retailing	21.6	17.5	-19%	3.5	3.2	-10%	25.0	30.2	21%	0.6	0.4	-25%
Food Bev&Tob	16.0	17.3	8%	2.9	2.8	-1%	23.4	28.1	20%	2.0	1.9	-6%
HPC	21.6	20.6	-5%	3.8	2.2	-42%	28.7	29.1	1%	2.9	2.2	-24%
Healthcare	18.6	17.3	-7%	4.3	3.3	-22%	34.4	32.3	-6%	1.9	1.9	0%
Banks	9.9	11.7	18%	1.1	1.2	10%	13.1	19.5	49%	2.6	2.4	-8%
Div Fin	17.2	21.1	22%	-	-	-	-	-	-	3.3	1.9	-42%
Insurance	11.7	11.5	-1%	1.8	1.6	-10%	19.3	21.7	13%	1.1	0.9	-22%
Real Estate	24.0	21.2	-12%	1.2	1.4	12%	13.5	20.0	48%	4.5	14.8	232%
Software&Svs	30.6	23.2	-24%	7.6	4.1	-46%	55.3	44.9	-19%	7.1	3.4	-52%
Tech Hardware	23.6	17.9	-24%	2.2	2.2	1%	25.7	31.1	21%	4.0	1.5	-63%
Semicon	31.5	16.7	-47%	8.6	2.8	-68%	76.6	30.5	-60%	10.3	3.0	-71%
Telecoms	18.6	15.4	-17%	1.9	2.2	20%	15.5	20.2	31%	2.8	1.4	-52%
Utilities	14.8	15.0	1%	2.0	1.6	-17%	20.7	18.9	-9%	1.5	1.1	-23%
Cyclicals	23.7	17.3	-27%	5.4	2.3	-56%	29.7	28.9	-3%	4.2	1.5	-64%
Defensives	18.2	17.2	-5%	3.6	2.9	-21%	26.4	27.2	3%	2.0	1.5	-24%
Cyc. Vs. Def.	1.3	1.0	-23%	1.5	0.8	-45%	1.1	1.1	-6%	2.1	1.0	-54%

Source: Datastream, MSCI, IBES. At 29th May 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	13.7	14.0	2%	2.1	1.8	-13%	22.2	19.8	-11%	1.4	1.3	-8%
Energy	7.6	12.4	62%	0.5	1.3	170%	13.9	14.3	3%	0.6	0.7	30%
Chemicals	22.1	15.1	-32%	2.3	1.9	-18%	19.7	18.7	-5%	1.1	0.9	-17%
Const Mat	12.8	12.8	0%	2.2	1.7	-23%	25.5	17.1	-33%	0.5	0.9	91%
Metals&Mining	11.2	10.9	-2%	1.2	1.3	7%	15.0	15.2	1%	1.1	0.7	-38%
Capital Goods	19.2	15.1	-21%	2.5	1.9	-21%	23.1	21.2	-8%	1.4	0.8	-46%
Business Services	16.3	14.4	-12%	-	-	-	-	-	-	1.6	1.3	-23%
Transport	21.5	17.3	-19%	1.8	1.4	-24%	17.0	21.1	24%	1.3	0.8	-37%
Automobile	5.9	9.7	66%	0.8	1.1	49%	8.7	12.5	44%	0.4	0.4	11%
Cons Dur	22.3	16.7	-25%	5.6	2.8	-50%	46.9	35.4	-24%	1.4	1.5	6%
Media	16.6	16.1	-3%	2.8	2.4	-15%	20.7	23.4	13%	1.8	1.7	-8%
Retailing	15.9	17.5	11%	4.2	3.2	-22%	25.6	23.0	-10%	2.0	1.2	-41%
Hot,Rest&Leis	20.9	17.4	-17%	3.0	1.7	-42%	16.0	19.5	22%	1.5	0.7	-49%
Food&Drug Retailing	11.9	14.2	19%	3.3	3.0	-10%	20.9	26.5	27%	0.4	0.3	-8%
Food Bev & Tob	15.8	16.8	6%	2.4	2.4	1%	22.2	24.3	9%	1.7	1.2	-27%
HPC	19.8	20.6	4%	4.2	2.4	-43%	33.6	24.1	-28%	2.1	2.2	1%
Healthcare	17.3	16.8	-3%	3.7	3.1	-16%	30.4	26.3	-13%	3.0	3.0	0%
Banks	7.3	10.8	48%	0.8	0.9	5%	13.9	12.7	-9%	1.7	2.2	29%
Diversified Financials	13.4	11.9	-11%	-	-	-	-	-	-	2.3	2.3	1%
Insurance	10.3	10.4	1%	1.6	1.5	-8%	15.7	21.2	35%	0.8	0.6	-25%
Real Estate	14.6	18.6	28%	0.9	1.0	10%	9.0	23.9	166%	10.4	9.0	-13%
Software&Svs	27.9	21.7	-22%	4.2	3.8	-8%	30.2	33.8	12%	6.1	2.7	-56%
Tech Hardware	15.7	17.8	13%	1.2	2.2	83%	17.4	22.2	27%	3.1	1.6	-49%
Semicon	31.1	21.7	-30%	2.8	2.4	-14%	38.6	38.8	1%	10.9	3.5	-68%
Telecoms	13.9	14.3	2%	1.5	2.1	44%	14.0	19.7	40%	1.6	1.4	-10%
Utilities	12.2	13.8	13%	1.6	1.5	-7%	16.7	19.0	14%	1.2	1.2	-3%
Cyclicals	15.4	15.2	-1%	2.9	2.0	-32%	24.9	20.5	-18%	1.4	0.9	-39%
Defensives	16.3	16.1	-1%	2.8	2.6	-9%	23.9	23.2	-3%	1.8	1.5	-16%
Cyc. vs Def.	0.9	0.9	-1%	1.0	0.8	-25%	1.0	0.9	-16%	0.8	0.6	-27%

Source: Datastream, MSCI, IBES. At 30th May 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	14%	1.9	1.8	-2%	17.7	17.4	-2%	1.3	1.1	-13%
Energy	7.9	12.4	58%	0.2	1.2	481%	24.3	16.4	-33%	0.6	0.6	-6%
Chemicals	27.7	16.0	-42%	1.9	2.6	33%	13.2	19.1	44%	3.6	0.8	-78%
Const Mat	-	-	-	1.5	2.0	34%	18.5	17.0	-8%	-	1.3	-
Metals&Mining	11.9	11.4	-4%	1.5	1.7	11%	17.8	17.0	-5%	0.7	0.9	19%
Capital Goods	19.6	14.0	-29%	2.0	2.6	29%	19.8	17.7	-11%	1.4	0.8	-45%
Transport	-	-	-	3.7	2.6	-29%	20.1	19.2	-4%	-	-	-
Business Services	25.2	16.6	-34%	-	-	-	-	-	-	4.6	1.3	-72%
Automobile	-	-	-	-	-	-	3.7	15.8	326%	-	-	-
Cons Dur	15.5	10.9	-30%	2.5	4.8	96%	11.1	28.2	155%	1.4	1.9	29%
Media	13.3	15.4	16%	2.4	2.2	-8%	24.9	23.0	-7%	1.6	1.5	-6%
Retailing	12.9	13.7	6%	2.9	2.2	-23%	17.2	19.5	14%	0.8	0.7	-13%
Hot,Rest&Leis	20.8	16.2	-22%	5.9	1.8	-69%	14.4	20.2	41%	1.5	0.8	-50%
Food&Drug Retailing	14.2	14.3	1%	4.8	3.0	-38%	19.1	23.4	23%	0.3	0.4	35%
Food Bev&Tob	9.3	14.2	53%	2.1	2.6	29%	17.9	22.6	27%	2.1	1.9	-8%
HPC	16.3	18.3	12%	2.2	1.5	-32%	13.1	19.9	52%	2.1	2.8	35%
Healthcare	14.6	15.7	8%	3.2	5.3	65%	31.4	23.1	-26%	3.3	2.8	-15%
Banks	6.9	10.5	51%	0.7	0.9	34%	15.6	12.3	-21%	2.0	2.2	9%
Div Fin	10.9	13.3	22%	-	-	-	-	-	-	5.0	3.0	-40%
Insurance	10.2	10.6	3%	1.9	1.9	1%	13.2	15.1	14%	0.7	0.8	19%
Real Estate	19.5	20.9	7%	0.9	0.9	-8%	13.2	24.6	86%	12.4	26.5	113%
Software&Svs	26.8	18.8	-30%	5.7	4.7	-19%	31.2	31.0	-1%	4.3	3.1	-28%
Tech Hardware	-	-	-	3.5	3.2	-11%	17.5	25.9	48%	-	1.1	-
Semicon	-	-	-	-	-	-	64.0	-	-	-	13.1	-
Telecoms	10.6	13.3	25%	1.0	2.2	125%	8.0	19.3	140%	0.9	1.5	78%
Utilities	11.3	13.3	18%	1.4	2.4	70%	14.7	16.0	9%	1.2	0.9	-23%
Cyclicals	13.8	14.1	3%	2.9	2.3	-18%	28.4	20.8	-27%	1.6	1.2	-24%
Defensives	9.7	14.3	48%	2.8	3.6	32%	20.9	20.9	0%	2.0	1.8	-12%
Cyc. Vs. Def.	1.4	0.9	-35%	1.0	0.6	-38%	1.4	1.0	-27%	0.8	0.7	-10%

Source: Datastream, MSCI, IBES. At 29th May 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	4Q23	1Q24	2Q24E	3Q24E	4Q24E	1Q25E	4Q23	2Q24E	4Q24E	2Q25E
United States	2.5	2.4	1.7	3.4	1.6	2.3	1.0	1.0	2.0	3.2	3.4	3.1	2.3
Eurozone	0.5	0.8	1.1	-0.2	1.3	1.5	1.5	1.0	1.0	2.7	2.4	2.0	1.7
United Kingdom	0.1	0.9	0.8	-1.2	2.5	2.0	1.0	1.0	0.8	4.2	1.8	2.4	2.7
Japan	1.9	-0.2	0.7	0.0	-2.0	1.5	1.0	0.8	0.6	2.9	2.8	3.2	2.7
Emerging markets	4.2	4.2	3.6	4.0	5.8	3.0	3.6	3.7	3.6	3.7	4.0	3.5	3.3
Global	2.7	2.7	2.4	2.6	3.2	2.4	2.2	2.2	2.4	3.4	3.4	3.0	2.7

Official interest rate	Forecast		Forecast for			
	next change	Current	Jun 24	Sep 24	Dec 24	Mar 25
Federal funds rate	Jul 24 (-25bp)	5.50	5.50	5.00	4.75	4.50
Depo rate	Jun 24 (-25bp)	4.00	3.75	3.50	3.25	3.00
Bank Rate	Aug 24 (-25bp)	5.25	5.25	5.00	4.75	4.50
Pol rate IOER	3Q24 (+15bp)	0.10	0.10	0.25	0.50	0.50

10 Yr Govt BY	Forecast		Forecast for end of		
	30-May-24	Jun 24	Sep 24	Dec 24	Mar 25
US	4.59	4.15	4.05	4.00	3.90
Euro Area	2.66	2.20	2.05	1.90	1.80
United Kingdom	4.38	4.10	3.85	3.80	3.70
Japan	1.06	0.85	1.05	1.30	1.30

Exchange rates vs US\$	Forecast		Forecast for end of		
	29-May-24	Jun 24	Sep 24	Dec 24	Mar 25
EUR	1.08	1.05	1.05	1.09	1.12
GBP	1.27	1.22	1.22	1.25	1.29
CHF	0.91	0.95	0.96	0.94	0.92
JPY	158	155	154	153	152
DXY	105.1	107.3	107.2	104.1	101.7

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	% Disc	% Disc Rel to EMU	Current	LT	% Disc	% Disc Rel to EMU	Current	LT	2023	YTD	2024e	2025e	2026e	YTD 12m Fwd EPS	2023e	2024e	2025e
		Median				Median				Median									
Austria	7.8	11.5	-32%	-25%	1.0	1.2	-17%	-17%	5.9	2.4	9%	9%	-7%	-3%	1%	-5.0%	-0.7	0.4	1.5
Belgium	16.9	14.1	20%	25%	1.6	1.9	-15%	-25%	2.3	3.0	1%	5%	-3%	16%	16%	2.1%	1.4	1.2	1.3
Finland	15.1	15.4	-2%	2%	1.8	2.3	-23%	-41%	5.1	3.5	-11%	2%	3%	12%	8%	-3.1%	-1.0	-0.1	1.8
France	14.2	14.0	1%	5%	2.1	1.7	19%	9%	2.9	3.1	15%	5%	3%	10%	9%	-0.2%	0.9	0.9	1.1
Germany	11.9	13.0	-9%	-5%	1.5	1.7	-7%	-15%	3.1	2.7	16%	7%	5%	13%	11%	1.7%	0.0	0.3	0.9
Greece	8.8	12.8	-31%	-27%	1.0	1.5	-28%	-30%	2.4	2.6	39%	11%	-6%	3%	14%	17.0%	2.0	1.6	2.1
Ireland	11.3	14.7	-23%	-22%	1.6	1.9	-16%	-27%	2.3	2.0	19%	23%	0%	3%	6%	41.7%	-3.0	1.9	3.6
Italy	9.0	13.1	-31%	-28%	1.4	1.2	16%	4%	4.9	3.7	27%	13%	1%	3%	5%	3.2%	1.0	0.9	0.9
Netherlands	19.7	14.5	36%	43%	3.5	2.2	57%	58%	1.8	2.7	20%	20%	3%	23%	10%	6.6%	0.1	0.7	1.4
Portugal	15.0	15.1	-1%	3%	1.9	2.0	-3%	-14%	3.6	3.7	1%	-6%	18%	0%	7%	-3.3%	2.3	1.4	1.9
Spain	10.3	12.8	-19%	-15%	1.4	1.5	-2%	-9%	4.3	4.0	24%	10%	7%	2%	5%	8.5%	2.5	2.6	1.7
EMU	13.1	13.5	-3%		1.8	1.7	10%		3.1	3.1	16%	9%	4%	10%	9%	63.6%	0.4	0.7	1.4
Norway	10.3	11.6	-11%		1.8	1.7	8%		5.8	3.6	3%	1%	5%	5%	1%	-1.3%	0.5	0.7	1.3
Sweden	14.9	15.1	-1%		2.4	2.2	7%		2.9	3.0	17%	7%	-1%	8%	7%	5.5%	0.1	0.3	1.9
Switzerland	17.3	16.2	7%		3.7	2.8	33%		3.0	2.8	3%	5%	12%	13%	10%	4.2%	0.7	1.2	1.5
Denmark	28.4	16.6	71%		7.2	3.2	121%		1.2	1.7	26%	20%	20%	21%	17%	12.1%	1.9	1.9	1.9
United Kingdom	11.4	13.1	-12%		1.9	1.9	1%		3.7	3.6	3%	6%	2%	8%	7%	-0.2%	0.1	0.9	0.8
Europe	13.6	14.0	-3%		2.1	1.9	13%		3.1	3.2	11%	8%	4%	10%	9%	51.9%	0.5	0.8	1.1
US	20.8	16.5	26%		4.8	2.9	63%		1.4	1.8	25%	10%	11%	14%	12%	6.5%	2.5	2.4	1.7

Source: Datastream, IBES, J.P. Morgan Economics Research, consensus forecast in italics, 29th May 2024

Global Equities Performance & Valuations

3M Performance	Market	Energy	Materials	Industrials	Discretionary	Staples	Healthcare	Financials	IT	Telecom	Utilities
US	3.2%	5.3%	2.0%	0.4%	-4.2%	2.5%	-2.5%	1.3%	8.0%	9.2%	14.3%
Europe	4.2%	9.8%	8.0%	5.1%	-4.5%	0.4%	5.9%	8.2%	1.0%	2.3%	4.8%
UK	6.7%	11.4%	13.8%	3.9%	-4.3%	0.1%	14.0%	11.0%	-10.1%	7.9%	-5.7%
Euro	3.1%	7.3%	1.3%	4.5%	-5.2%	1.1%	2.2%	9.8%	1.3%	0.7%	8.4%
Switzerland	3.0%	-	10.8%	9.4%	0.2%	-0.3%	1.0%	4.0%	-	-3.1%	-
Japan	2.5%	19.9%	-4.9%	8.9%	-3.8%	3.0%	-3.5%	12.5%	-0.2%	-4.4%	18.9%
World	3.2%	6.7%	5.2%	2.3%	-4.2%	1.8%	-0.7%	3.3%	6.9%	7.7%	10.9%
12M Performance											
US	25.6%	14.6%	17.8%	25.3%	20.0%	5.9%	10.7%	29.4%	39.2%	40.2%	11.1%
Europe	10.8%	12.7%	13.5%	22.2%	0.5%	-9.4%	6.6%	22.8%	25.9%	4.4%	-2.5%
UK	7.0%	13.4%	16.2%	31.5%	-0.5%	-9.4%	5.8%	10.5%	8.0%	-1.1%	-10.3%
Euro	13.0%	13.0%	9.1%	21.9%	1.7%	-2.9%	-7.0%	27.6%	28.2%	7.0%	2.2%
Switzerland	1.3%	-	22.0%	27.1%	-8.6%	-17.6%	-6.2%	27.0%	-	-14.6%	-
Japan	28.1%	66.4%	19.4%	34.2%	25.1%	5.3%	1.5%	66.0%	27.5%	18.6%	49.2%
World	21.8%	14.7%	15.0%	24.2%	16.3%	0.8%	9.1%	26.3%	37.5%	34.7%	7.0%
P/Book (-1M)											
US	4.8	2.4	3.1	6.5	9.8	6.2	5.1	2.2	11.2	4.4	2.0
Europe	2.1	1.3	1.9	3.8	2.2	3.2	4.1	1.1	5.8	1.5	1.6
UK	2.0	1.5	2.7	7.5	2.9	2.5	7.5	1.1	10.5	0.7	2.2
Euro	1.9	1.3	1.6	3.2	2.0	2.6	1.8	1.1	6.2	1.8	1.6
Switzerland	3.1	-	3.7	7.4	3.2	4.5	4.9	1.3	-	3.7	-
Japan	2.4	1.3	1.8	2.9	2.5	3.1	3.9	1.4	4.6	3.2	1.3
World	3.4	1.9	2.3	3.9	4.4	4.4	4.6	1.7	9.6	3.6	1.8
12m Fw P/E											
US	21.0	12.1	19.9	21.8	24.4	20.3	19.2	15.2	28.3	19.2	17.3
Europe	13.9	7.7	15.9	19.3	13.0	16.8	17.6	9.1	27.6	14.0	12.8
UK	11.8	7.9	13.2	22.0	18.8	12.6	15.0	8.2	26.8	10.8	13.1
Euro	13.4	7.5	16.1	17.3	11.7	19.0	14.6	8.6	28.9	15.1	12.6
Switzerland	17.6	-	22.2	24.3	17.4	21.9	15.0	14.4	21.6	15.5	-
Japan	15.5	9.0	13.1	15.6	12.1	20.6	27.8	12.3	24.0	17.8	9.2
World	18.5	10.8	17.0	20.0	19.1	19.0	19.2	12.8	28.2	18.7	15.5
12m fw EPS Gr											
US	12.4	-2.0	6.0	10.6	15.5	5.8	12.9	10.4	19.3	18.4	10.7
Europe	7.0	-0.3	9.8	9.8	5.9	6.4	10.0	7.8	8.8	10.0	1.3
UK	5.1	4.1	1.9	9.6	10.6	4.9	10.4	3.4	11.1	6.7	3.8
Euro	6.6	-5.4	17.6	13.5	4.6	9.5	8.5	7.3	8.9	11.7	-4.0
Switzerland	12.4	-	10.2	6.8	10.6	5.5	5.9	42.7	-1.3	-1.8	-
Japan	6.1	-9.3	12.3	4.6	2.9	15.9	8.2	7.1	15.1	27.1	-31.5
World	10.2	-0.8	7.0	9.6	10.5	6.6	12.1	8.7	18.4	18.0	4.7
Dividend Yield											
US	1.6	3.0	1.8	1.6	2.0	2.5	2.0	1.9	0.8	1.1	3.2
Europe	3.1	4.8	2.9	2.2	2.9	3.1	2.2	5.1	1.0	4.3	4.2
UK	3.7	4.0	3.3	1.8	2.7	4.4	2.3	5.0	1.4	5.7	4.7
Euro	3.0	5.0	3.2	2.2	3.0	2.2	2.3	5.1	0.9	3.6	4.2
Switzerland	2.9	-	2.1	2.4	2.1	2.6	3.0	4.1	-	4.4	-
Japan	2.0	2.9	2.5	1.8	2.0	2.1	1.9	2.8	1.2	2.4	1.8
World	2.1	3.6	2.5	1.8	2.3	2.7	2.0	3.0	0.8	1.5	3.5

Source: IBES, MSCI, Datastream, At 29th May 2024, * Discount to MSCI World

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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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