

Equity Strategy

The underperformance of Consumer Cyclical stocks can have legs; Implications of CESI moving negative

- The consensus view in the first half of the year has been to buy Cyclical sectors on PMI rebound, and also to favour consumer exposure on an improvement in real disposable incomes. While we have some sympathy with the view that European consumers could fare better this year than last, on falling inflation and on rate cuts, and clearly the Eurozone consumer wasn't maxed out, with still elevated net wealth position, we have argued through Q2 to play a barbell of Defensives together with Mining - see [report](#). Stylewise, we entered the year again **OW Growth vs Value**, same as last year, and keep that view, for now. Also, one should note the **terrible performance of small caps everywhere again this year** - behind by 15% in the US, 3% in Europe and 11% in Japan so far in 2024. Within this, we have very recently advised to finally turn more bullish on some **selected small caps, such as FTSE250 in the UK** - see [report](#), to take advantage of the heavy prior underperformance and political changes.
- **On the short side**, we have specifically **focused on Consumer Cyclical plays** - such as **Autos and Luxury**, and now the question is whether one should use the recent weakness in the space to add - top chart. We think that **there is likely further underperformance ahead**, and stay cautious on Consumer space more broadly, on likely unwind of prior strong pricing power, building margin squeeze, likely softening final demand and potential labour market weakening:
- **Autos (UW)**: Autos have significantly underperformed in the past few months, on weak commentary from the OEMs. Key issues being flagged are: inventories have normalised, demand is softer, prices in ICE are still holding up, but mix is weaker, and China keeps getting tougher. We stay UW Autos, expecting continued pricing weakness and rising China competition.
- **Luxury (N)**: Luxury has also underperformed, and we think the sector will continue to struggle on softer pricing. Luxury stocks are still expensive relative to the market and our analysts see few positive catalysts for 2H.
- **Discretionary Retail (UW)**: Retailers have seen a series of profit warnings recently, including H&M and Nike. While higher freight costs and cotton prices have been key headwinds so far, potential consumer weakness going forward is likely to lead to further disappointments.
- **Hotels, Restaurants & Leisure (UW)**: the high-end segment is holding up, but the low-end segment is showing signs of weakness. RevPar is still robust, but could come under pressure if pricing and occupancy rates roll over.
- **Airlines (UW)**: A combination of higher oil prices, extra capacity and more downbeat demand expectations have weighed on Airlines stocks, down 20% relative in last 3-4 months. We believe these will continue to disappoint.
- Bigger picture, **CESIs have moved negative recently in a number of key regions, in US, Eurozone, China and Japan**. Typically, when CESIs deteriorate, sector leadership is lower beta. Apart from Cyclical, Financials in particular tended to consistently underperform when CESIs move lower. Banks could also be seeing peaking profits on ECB cuts - bottom chart.

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Autos, Luxury, Airlines and Hotels & Leisure sectors have all been softening of late. We think this continues



CESIs in all key regions have moved negative most recently... this is typically a problem for Cyclical and Banks



Banks profits increased on rising rates in the last 4 years, this is turning now



Source: Datastream, Bloomberg Finance L.P.

See page 23 for analyst certification and important disclosures, including non-US analyst disclosures.

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Table Of Contents

The underperformance of Consumer Cyclical stocks can have legs; Implications of CESI moving negative	3
Equity Strategy Key Calls and Drivers	4
Top Picks	5
Equity Flows Snapshot.....	6
Technical Indicators.....	7
Performance	8
Earnings	9
Valuations.....	10
Economic, Interest Rate and Exchange Rate Outlook	12
Sector, Regional and Asset Class Allocations.....	13

The underperformance of Consumer Cyclical stocks can have legs; Implications of CESI moving negative

Figure 1: Global Composite PMI



Source: S&P Global

Global growth backdrop had been improving since Q4 of last year, with Global PMIs moving up. The fall in the June reading comes after 7 months of sequential advance in the PMI data. The upmove earlier in the year has prompted many to look for a Cyclical rally and the broadening in leadership, regionally and stylewise.

Figure 2: Eurozone retail sales and consumer confidence



Source: Bloomberg Finance L.P.

The consensus view was also to be bullish on consumer on the likely improvement in real disposable incomes.

Figure 3: UK, Germany and France household savings rate



Source: Bloomberg Finance L.P.

We do have sympathy with some better European consumer performance, as that cohort has not spent much of the accumulated savings yet.

The market leadership stayed quite narrow in 1H, though...

Figure 4: S&P500 and S&P500 equal weighted ytd performance



Source: Bloomberg Finance L.P.

Despite the optimism at the start of the year, equal weighted SPX has peaked already in March, with all the gains in the past few months driven by just a few stocks.

Figure 5: MSCI US and European Growth vs Value performance



Source: Datastream

We entered this year again OW Growth vs Value style, same as in 2023, and note that Growth strongly outperformed in the US, and also in Europe.

Table 1: Key regions small vs large cap ytd performance

YTD performance		
MSCI US	Small Caps	0.8%
	Large Caps	15.7%
MSCI Eurozone	Small Caps	1.9%
	Large Caps	8.3%
MSCI UK	Small Caps	4.0%
	Large Caps	6.4%
MSCI Japan	Small Caps	13.0%
	Large Caps	24.4%

Source: Datastream

We have also kept UW on small caps in 1H again, after 2 years of UW of small caps. The weakness in small caps has been clear everywhere again this year, heavily behind large caps.

Figure 6: MSCI Europe sectors Q1 '24 and Q2 '24 relative performance



Source: Datastream

Cyclical sectors did perform better in 1Q this year, but have since struggled to lead.

...within this, we have last month advised to add to selective small caps, in particular to UK small caps - FTSE250...

Figure 7: FTSE250 relative to FTSE100



Source: Datastream

While we remain bearish on US small caps, and keep OW on Nasdaq vs Russell2000, we do think in some international markets small caps could do better in 2H.

Figure 8: FTSE100 vs FTSE250 since Jan'21



Source: Datastream

For UK in particular, we reversed our long-lasting large cap preference last month, expecting UK election outcome to help small caps from here.

Figure 9: MSCI UK Small vs large cap performance around BoE first cut



Source: Datastream

BoE is set to start easing from August, which typically helped turn the fortunes of the group.

...Consumer Cyclical in particular struggled this year... should one use this as an opportunity to add?

Figure 10: MSCI Europe cyclical sectors ytd relative performance



Source: Datastream

Ytd, European Autos, Airlines, Luxury, Hotels have all performed poorly. The question is whether the weakness in some

of these consumer cyclical sectors presents an opportunity for investors? While we have some sympathy in the idea that the European consumer could fare better this year than last, as inflationary pressures ease and policy rates are cut, we believe that the recent underperformance of these stocks could continue, as tailwinds in the form of strong pricing power and elevated margins fade.

We do not think so, and stay UW most consumer groups - Labour market could weaken in the US...

Figure 11: US Initial Jobless Claims



Source: Bloomberg Finance L.P.

In the US, initial jobless claims have been trending higher over the last couple of months.

Figure 12: US Continuing Jobless Claims



Source: Bloomberg Finance L.P.

Continuing claims have been up in each of the last 9 weeks.

Figure 13: US Quits rate vs Atlanta Fed wage tracker



Source: Bloomberg Finance L.P.

The downshift in number of employees quitting in the US is consistent with slower pace of wage growth going forward.

Figure 14: US Manufacturing and Services ISM - Employment



Source: Bloomberg Finance L.P.

Business surveys have also been pointing to a softening labour market. The employment component of ISM Manufacturing was holding up so far but weakened in the the month of June, and Services employment is downshifting.

Figure 15: Eurozone Manufacturing and Services PMI - employment



Source: S&P Global

Similar weakness is evident in the Eurozone business surveys, as well.

Weaker end demand could also hurt margins and pricing power

Figure 16: MSCI Europe Consumer Discretionary 12m trailing EBIT margin



Source: Datastream

The supply-demand distortions driven by the COVID-era shutdowns drove margins for consumer sectors to record highs. These are starting to normalize.

Table 2: JPM Real GDP projections

	Real GDP					
	% over previous period, saar					
	4Q23	1Q24	2Q24E	3Q24E	4Q24E	1Q25E
United States	3.4	1.4	2.0	1.0	1.0	2.0
Eurozone	-0.2	1.3	1.5	1.5	1.0	1.0
United Kingdom	-1.2	2.9	2.0	1.0	1.0	0.8
Japan	0.4	-1.8	1.5	1.0	0.8	0.6
Emerging markets	4.1	6.1	3.0	3.5	3.5	3.4
Global	2.7	3.2	2.2	2.2	2.1	2.3

Source: J.P. Morgan

Activity is expected to moderate in the coming quarters. All of these point to a more modest pricing environment for the consumer sectors.

...reiterate our cautious view on Autos...

Figure 17: MSCI Europe Autos relative



Source: Bloomberg Finance

Auto stocks have significantly underperformed over the past few months.

Figure 18: European Autos EPS/Sales



Source: Datastream

EBIT margins for the sector are still elevated in a historical context, and will be under pressure from a rollover in pricing and more Chinese competition. Inventory levels have normalized.

Figure 19: Car buying Incentives in China (%)



Source: JPM European Autos Research team

Incentives are going up.

Figure 20: Weighted average discounts across Europe



Source: JPM European Autos Research team

Pricing power is also coming under pressure.

...Luxury...

Figure 21: MSCI Europe Luxury price relative



Source: Datastream

Luxury has also struggled in the past months, and we have cautioned that pricing in the sector could come under pressure - see [report](#). Our sector analysts [flag](#) muted earnings momentum for the group, and see few positive catalysts for 2H. The key stock within the sector, LVMH, is likely to see topline soften for most segments. This, coupled with FX headwinds, should lead to EBIT margin pressure - see [report](#).

Figure 22: European Luxury 12m Fwd P/E relative



Source: IBES

Luxury stocks still trade outright expensive relative to the market.

...Retail...

Table 3: Profit warnings so far

Company Name	Company Ticker	Commentary	Date	1Day Perf relative to market, %	Sector
YOUGOV PLC	YOU LN	YouGov shares plunge after polling and data analytics group warned that annual profits would fall short of forecasts	20 Jun	-47.2%	Communication Services
SIG PLC	SHILN	SIG profit warns due to challenging market conditions	24 Jun	-5.8%	Industrials
AIRBUS SE	AIRFP	Airbus shares fall as plane maker cuts profit forecast as its supply chain disruptions worsened	25 Jun	-9.2%	Industrials
POOL CORP	POOLUS	Pool shares slump after swimming pool supplies distributor slashes earnings forecast citing challenges in discretionary parts of its business amid cautious consumer spending	25 Jun	-8.4%	Consumer Discretionary
SOUTHWEST AIRLINES CO	LUV US	Southwest Air cuts revenue outlook as CEO fends off activist	26 Jun	-0.4%	Industrials
WALGREENS BOOTS ALLIANCE INC	WBA US	Walgreens shares plunge on outlook cut and more stores closings in continued challenging environment	27 Jun	-22.2%	Consumer Staples
HENNES & MAURITZ AB-B SHS	HMB SS	H&M profit warns due to a challenging macro environment that will influence purchasing costs and sales revenues	27 Jun	-12.5%	Consumer Discretionary
NIKE INC -CL B	NKE US	Nike tumbles after warning that it expects sales to drop 10% during its current quarter	28 Jun	-19.6%	Consumer Discretionary
AIR FRANCE-KLM	AFKP	Air France expects revenue and profit hit as fliers avoid Paris Olympics	01 Jul	-1.9%	Industrials
NANOCO GROUP PLC	NANO LN	Nanoco Group profit warns because of order delay	02 Jul	-24.3%	Information Technology
NORWEGIAN AIR SHUTTLE AS	NASNO	Norwegian Air shares slide after the carrier cut its EBIT outlook, citing higher costs, softer traffic demand and aircraft delivery delays from Boeing.	04 Jul	-16.5%	Industrials

Source: Bloomberg Finance L.P.

A number of retailers have profit warned in recent weeks.

Figure 23: World Container prices



Source: Bloomberg Finance L.P.

Elevated freight rates have been hurting the sector.

Figure 24: DXY ytd



Source: Bloomberg Finance L.P.

The sector also struggles in a stronger dollar environment.

...Hotels, Restaurants and Leisure...

Figure 25: MSCI Europe Hotels, Restaurants & Leisure relative performance



Source: Bloomberg Finance L.P.

The hotels sector has underperformed the broader index by 7% year to date.

Figure 26: Rev Par - Key Regions



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

We note that metrics such as RevPar are holding up relatively well. Our sector analysts believe that this is largely due to the “high-end” segment performing better, while the low-end segment is under pressure. We believe that the sector could come under pressure if pricing and occupancy rates fall from here.

and Airlines

Figure 27: Bloomberg European Airlines relative performance



Source: Bloomberg Finance L.P.

Higher oil prices, capacity growth and weakening demand have weighed on Airlines.

Figure 28: Transatlantic capacity growth, in ASKs yoy



Source: J.P. Morgan European Airlines Research

For the Network Carriers, pricing for Q2 could end up softer than expected on elevated capacity growth, a mixed demand backdrop by long-haul route/cabin, and any impact from LCC discounting/short-haul leisure weakness. Softer pricing in Q2 would come at a time when costs remain elevated for the Networks, and may call into question whether peak summer leisure demand will be strong enough to grow pricing in Q3 - see [report](#) from our Airlines analyst.

Recent commentary from the LCCs (low cost carriers) has also focused on a more mixed pricing outlook for short-haul leisure.

Economic surprise indices have turned negative in a number of key regions

Figure 29: Key regions CESIs



Source: Bloomberg Finance L.P.

Big picture, CESIs have turned negative in most key regions.

Table 4: MSCI Europe sectors relative performance when Euro Area CESI goes below 0 and stays negative for 2 months

Median		1m	3m	6m	12m
European Sectors relative	Energy	0.9%	3.0%	5.8%	1.3%
	Materials	-1.0%	0.5%	1.5%	1.9%
	Industrials	0.5%	0.4%	2.0%	4.3%
	Discretionary	0.3%	0.4%	-0.4%	3.1%
	Autos	-1.4%	0.4%	0.9%	6.0%
	Consumer Durables	0.1%	0.4%	1.9%	3.9%
	Retailing	-1.2%	1.2%	-0.2%	4.2%
	Hotels, Restaurants & Leisure	0.6%	0.9%	0.1%	1.8%
	Staples	0.8%	0.0%	-0.8%	1.4%
	Healthcare	1.0%	1.9%	0.0%	1.8%
	Financials	-1.9%	-3.0%	-0.2%	-0.3%
	Banks	-1.0%	-2.4%	-1.0%	-3.3%
	IT	1.6%	2.1%	0.8%	4.3%
	Telecoms	-1.3%	-3.6%	-2.8%	-6.5%
	Utilities	0.3%	1.1%	1.3%	-0.1%
	Real Estate	0.9%	-1.2%	-1.0%	-9.8%
	Cyclicals Ex Tech vs Defensives	-0.5%	-0.6%	0.8%	3.6%

Source: Datastream, Bloomberg Finance L.P.

This tended to be a problem for Cyclical sectors, and also for Banks.

Table 5: MSCI Europe sectors relative performance when US CESI goes below 0 and stays negative for 2 months

Median		1m	3m	6m	12m
European Sectors relative	Energy	-0.5%	2.0%	3.5%	-0.6%
	Materials	-1.9%	-0.3%	2.5%	1.1%
	Industrials	0.9%	1.3%	0.7%	2.5%
	Discretionary	0.2%	0.5%	-1.3%	2.3%
	Autos	0.4%	0.9%	-0.9%	0.2%
	Consumer Durables	0.6%	-0.1%	4.4%	9.5%
	Retailing	0.4%	1.1%	2.1%	1.1%
	Hotels, Restaurants & Leisure	-0.2%	-1.3%	0.8%	-0.8%
	Staples	0.8%	0.9%	0.1%	4.5%
	Healthcare	0.9%	-0.4%	1.3%	1.3%
	Financials	-0.1%	-0.1%	-1.3%	-2.6%
	Banks	-0.1%	-0.6%	-3.4%	-8.3%
	IT	0.4%	0.7%	0.7%	2.1%
	Telecoms	1.0%	0.1%	-1.2%	-2.2%
	Utilities	0.0%	-0.4%	2.5%	2.9%
	Real Estate	0.4%	-1.1%	-4.0%	-6.3%
	Cyclicals Ex Tech vs Defensives	-0.9%	-1.3%	-0.1%	0.7%

Source: Datastream, Bloomberg Finance L.P.

A similar trend is seen when US CESI turns negative, as well.

Figure 30: Banks Net interest income and ECB deposit rate



Source: J.P.Morgan

Now, Banks do look attractively priced, but they might end up cheap on peak earnings. Their earnings power is likely to move lower as rates come off.

Equity Strategy Key Calls and Drivers

SPW, an equal-weighted S&P500 index, has stalled since March, and is behind SPX so far this year by more than 10%. We think this is reflecting a changing Growth-Policy narrative vs early 2024. Entering this year, investor expectations were for a Goldilocks outcome – growth acceleration and at the same time quick Fed easing, starting already in March. The early Fed cuts and the consequent improving credit impulse didn't materialize, which should weigh on growth in 2H. US activity momentum is slowing, with CESI outright negative at present, putting EPS growth projections of as much as 15% acceleration between Q1 and Q4 of this year at risk. Instead of easing preemptively for market-friendly reasons, such as falling inflation, as was the view at the start of the year, the Fed could end up easing, but reactively, in a response to weakening growth. At the same time, there is no safety net any more, the market is positioned long, Vix is at lows, potentially underpricing risks and credit spreads are extremely tight – this is as good as it gets. Adding to the picture strengthening USD and elevated political uncertainty currently, we arrive at a problematic setup for the equity market during summer. In terms of positioning, we have entered this year again OW Growth vs Value style and Large vs Small caps, and we are keeping these for 2H in the US, not expecting much broadening. The recent relative dip due to French political uncertainty is likely to become a buying opportunity as we move through 2H, but we think the risk of further drawdowns is not finished, as the potential new French government will likely try to test the limits of what they can do. Cyclical were the best performing sectors in Q1, but struggled to outperform in Q2. We reiterate our barbell of OW Defensives and Commodities.

Table 6: J.P. Morgan Equity Strategy — Factors driving our medium-term views

Driver	Impact	Our Core Working Assumptions	Recent Developments
Global Growth	Neutral	At risk of weakening as consumer strength wanes	Global composite PMI is at 52.9
European Growth	Positive	reset last year, manufacturing improving, consumer can pick up	
Monetary Policy	Neutral	Fed pivot could be accompanied by activity weakness	
Currency	Neutral	USD could strengthen again	
Earnings	Negative	Corporate pricing power is likely to weaken from here	2024 EPS projections are continuing their downtrend
Valuations	Negative	At 21x, US forward P/E is still stretched, especially vs real yield	MSCI Europe on 13.7x Fwd P/E
Technicals	Negative	Sentiment and positioning are stretched post the rally since November	RSIs are in overbought territory

Source: J.P. Morgan estimates

Table 7: : Base Case and Risk

Scenario	Assumption
Upside scenario	No further hawkish tilt by the Fed. No landing
Base-case scenario	Inflation to fall further, risk of downturn still elevated. Earnings downside from here
Downside scenario	Further Fed tightening and global recession to become a base case again

Source: J.P. Morgan estimates.

Table 8: Index targets

	Dec '24 Target	04-Jul-24	% upside
MSCI Eurozone	256	295	-13%
FTSE 100	7,700	8,241	-7%
MSCI EUROPE	1,850	2,078	-11%
DJ EURO STOXX 50	4,250	4,987	-15%
DJ STOXX 600 E	460	518	-11%

Source: J.P. Morgan.

Table 9: Key Global sector calls

Overweight	Neutral	Underweight
Healthcare	Technology	Capital Goods ex A&D
Telecoms	Mining	Food& Drug Retail
Food, Beverage & Tobacco	Transportation	Autos
Real Estate		Banks
Utilities		Discretionary
Energy		
Aerospace & Defence		

Source: J.P. Morgan

Table 10: J.P. Morgan Equity Strategy — Key sector calls*

Sector	Recommendations	Key Drivers
Utilities	Overweight	Sector is low beta, has strong cash flow generation, resilient earnings, and power prices are higher than pre-Ukraine but P/E relative is near record cheap
Healthcare	Overweight	Potential for lower yields and stronger dollar are supports, better earnings
Staples	Overweight	Sector is one of the best performers around the last Fed hike in the cycle, lower bond yields and better relative EPS momentum should help
Banks	Underweight	3 years of strong performance, NII likely peaking, central banks moving to cuts, underprovisioning
Autos	Underweight	Pricing and volume could come under pressure with rising inventories, increasing China competition and weaker demand
Chemicals	Underweight	The sector trades at 70% premium to the market, well above historical norm. pricing continues to deteriorate, downside risks to current earnings and margin projections

Source: J.P. Morgan estimates. * Please see the last page for the full list of our calls and sector allocation.

Table 11: J.P. Morgan Equity Strategy — Key regional calls

Region	Recommendations	J.P. Morgan Views
EM	Neutral	China tactical positive call since Q1, but structural concerns remain
DM	Neutral	
US	Neutral	Expensive with earnings risk. but our ytd Growth style OW helps
Japan	Overweight	Large rate differential, TSE reforms, consumer reflation, but JPY needs to show stability
Eurozone	Neutral	Eurozone growth differential bottoming, cheap
UK	Overweight	Valuations still look very attractive, low beta with the highest regional dividend yield

Source: J.P. Morgan estimates.

Top Picks

Table 12: J.P. Morgan European Strategy: Top European picks

Market Cap							EPS Growth			Dividend Yield	12m Fwd P/E			Performance	
Name	Ticker	Sector	Rating	Price	Currency	(€ Bn)	23e	24e	25e	24e	Current	10Y Median	% Premium	-3m	-12m
ENI	ENI IM	Energy	OW	15	E	48.1	-35%	-14%	1%	6.3%	6.9	12.5	-45%	-5%	8%
TOTALENERGIES	TTE FP	Energy	OW	66	E	156.7	-33%	-1%	2%	4.7%	7.6	10.6	-28%	-2%	23%
SHELL	SHEL LN	Energy	OW	34	E	215.8	-23%	1%	2%	3.5%	8.8	11.1	-21%	6%	22%
CRH PUBLIC LIMITED	CRH LN	Materials	OW	73	US\$	46.0	-14%	25%	9%	1.8%	13.0	14.9	-13%	-13%	34%
RIO TINTO	RIO LN	Materials	OW	5359	£	106.8	-11%	3%	-1%	6.4%	9.2	10.3	-11%	5%	6%
NORSK HYDRO	NHY NO	Materials	OW	68	NK	12.0	-60%	26%	39%	3.7%	10.5	12.6	-17%	0%	4%
ANGLO AMERICAN	AAL LN	Materials	OW	2434	£	35.4	-51%	-14%	19%	3.1%	13.8	9.5	44%	15%	4%
SCHNEIDER ELECTRIC	SU FP	Industrials	OW	231	E	132.7	2%	15%	13%	1.5%	26.0	16.5	57%	11%	43%
ASSTEAD GROUP	AHT LN	Industrials	OW	5220	£	27.2	26%	-	-	1.5%	16.3	14.1	16%	-9%	-3%
RYANAIR HOLDINGS	RYA ID	Industrials	OW	16	E	18.7	-	-	-	0.0%	8.1	12.7	-37%	-22%	-5%
AIRBUS	AIR FP	Industrials	OW	136	E	109.0	10%	-13%	34%	1.3%	21.0	18.5	13%	-19%	4%
MTU AERO ENGINES HLDG.	MTX GR	Industrials	OW	255	E	13.8	24%	12%	14%	0.8%	19.2	18.1	6%	10%	10%
STELLANTIS	STLAM IM	Discretionary	OW	18	E	55.5	12%	-14%	4%	8.5%	3.5	4.7	-25%	-27%	13%
BMW	BMW GR	Discretionary	OW	88	E	56.4	-35%	-7%	0%	6.8%	5.4	7.6	-29%	-23%	-
INDITEX	ITX SM	Discretionary	OW	46	E	142.4	27%	-	-	2.6%	22.9	24.1	-5%	-1%	29%
ADIDAS	ADS GR	Discretionary	OW	219	E	39.7	-154%	-	117%	0.3%	43.1	24.8	74%	10%	23%
RICHEMONT N	CFR SW	Discretionary	OW	141	SF	85.8	78%	-	-	1.7%	20.0	20.8	-4%	2%	-6%
COMPASS GROUP	CPG LN	Discretionary	OW	2161	£	43.4	50%	14%	10%	1.9%	21.4	20.9	2%	-3%	0%
COLRUYT GROUP	COLR BB	Staples	OW	45	E	5.8	-27%	-	-	1.8%	15.0	17.6	-15%	7%	29%
ANHEUSER-BUSCH INBEV	ABI BB	Staples	OW	56	E	112.2	-5%	9%	13%	1.4%	17.0	19.4	-12%	1%	7%
NOVO NORDISK 'B'	NOVOB DC	Health Care	OW	970	DK	581.8	52%	27%	24%	1.0%	36.7	22.8	61%	13%	80%
ASTRAZENECA	AZN LN	Health Care	OW	12106	£	222.2	9%	12%	14%	1.9%	17.6	17.7	0%	13%	14%
SMITH & NEPHEW	SN/ LN	Health Care	OW	1054	£	11.0	1%	12%	18%	2.8%	13.2	18.4	-28%	9%	-12%
UBS GROUP	UBSG SW	Financials	OW	27	SF	97.5	-99%	4327%	64%	2.3%	17.3	10.4	67%	-4%	50%
NATWEST GROUP	NWVG LN	Financials	OW	326	£	32.0	38%	-19%	9%	5.2%	7.5	10.0	-25%	16%	35%
ING GROEP	INGA NA	Financials	OW	17	E	54.8	106%	-9%	8%	6.7%	8.4	9.0	-7%	6%	32%
INTESA SANPAOLO	ISP IM	Financials	OW	4	E	65.5	79%	19%	4%	8.3%	7.5	10.0	-25%	6%	48%
LONDON STOCK EXCHANGE GROUP	LSEG LN	Financials	OW	9274	£	58.4	2%	10%	13%	1.2%	24.6	23.0	7%	-1%	13%
AMUNDI (WI)	AMUN FP	Financials	OW	64	E	13.2	4%	8%	7%	6.4%	9.7	12.6	-23%	-2%	18%
DASSAULT SYSTEMES	DSY FP	IT	N	35	E	47.6	6%	8%	9%	0.8%	25.9	31.7	-18%	-11%	-12%
ASML HOLDING	ASML NA	IT	OW	984	E	397.5	41%	-5%	60%	0.6%	40.0	27.3	47%	9%	47%
ASM INTERNATIONAL	ASM NA	IT	OW	717	E	35.5	-8%	19%	35%	0.4%	43.8	16.7	163%	25%	86%
DEUTSCHE TELEKOM	DTE GR	Telecoms	OW	24	E	118.9	-13%	14%	12%	3.2%	12.3	14.0	-12%	7%	19%
BT GROUP	BT/A LN	Telecoms	OW	139	£	16.4	9%	-	-	5.5%	7.7	8.7	-11%	31%	11%
RELX	REL LN	Industrials	OW	3583	£	79.4	12%	8%	9%	1.6%	27.9	19.4	44%	8%	38%
HELLOFRESH	HFG GR	Staples	N	6	E	1.1	-49%	-62%	138%	0.0%	15.1	18.6	-19%	-6%	-75%
RWE	RWE GR	Utilities	OW	33	E	24.7	30%	-55%	-26%	3.0%	13.8	13.0	6%	6%	-18%
ENEL	ENEL IM	Utilities	OW	7	E	68.0	15%	10%	0%	6.5%	9.9	11.9	-17%	10%	5%
SEURO	SGRO LN	Real Estate	OW	907	£	14.6	6%	6%	8%	3.1%	25.3	25.3	0%	3%	23%

Source: Datastream, MSCI, IBES, J.P. Morgan, Prices and Valuations as of COB 4th Jul, 2024. Past performance is not indicative of future returns.

Please see the most recent company-specific research published by J.P. Morgan for an analysis of valuation methodology and risks on companies recommended in this report. Research is available at <http://www.jpmorganmarkets.com>

Equity Flows Snapshot

Table 13: DM Equity Fund Flows Summary

	Regional equity fund flows									
	\$mn					% AUM				
	1w	1m	3m	ytd	12m	1w	1m	3m	ytd	12m
Europe ex UK	-109	-393	2,153	1,180	-6,860	0.0%	-0.1%	0.6%	0.4%	-2.2%
UK	-857	-3,067	-8,580	-12,728	-27,899	-0.3%	-1.1%	-3.2%	-4.6%	-10.3%
US	6,348	27,479	90,128	114,257	270,631	0.1%	0.3%	0.9%	1.2%	3.2%
Japan	-557	-9,624	3,919	12,247	25,473	-0.1%	-1.2%	0.5%	1.6%	3.6%

Source: EPFR, as of 12th Jun, 2024

Figure 31: DM Equity Fund flows – last month



Source: EPFR, Japan includes BoJ purchases.

Figure 33: Cumulative fund flows into regional funds as a percentage of AUM



Source: EPFR, as of 12th Jun, 2024. Japan includes Non-ETF purchases only.

Figure 32: DM Equity Fund flows – last 12 months



Source: EPFR, Japan includes BoJ purchases.

Figure 34: Cumulative fund flows into regional equity ETFs as a percentage of AUM



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

Technical Indicators

Figure 35: S&P500 RSI



Source: Bloomberg Finance L.P.

Figure 36: EuroStoxx50 RSI



Source: Bloomberg Finance L.P.

Figure 37: AAI Bull-Bear



Source: Bloomberg Finance L.P.

Figure 38: Put-call ratio



Source: Bloomberg Finance L.P.

Figure 39: Sentix Sentiment Index vs SX5E



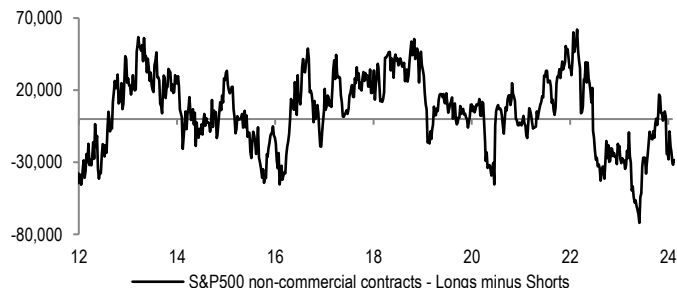
Source: Bloomberg Finance L.P.

Figure 40: Equity Skew



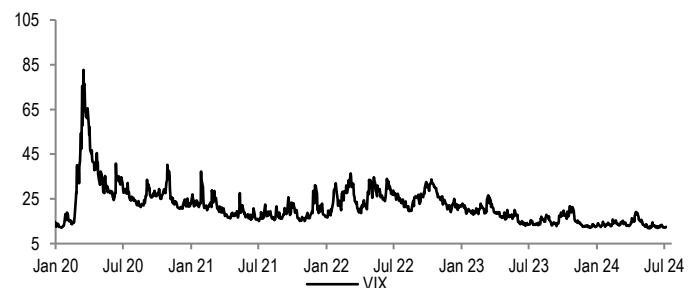
Source: Bloomberg Finance L.P.

Figure 41: Speculative positions in S&P500 futures contracts



Source: Bloomberg Finance L.P.

Figure 42: VIX



Source: Bloomberg Finance L.P.

Performance

Table 14: Sector Index Performances — MSCI Europe

(%change)		Local currency		
Industry Group		4week	12m	YTD
Europe		(1.4)	11.5	8.4
Energy		4.1	14.2	6.3
Materials		(0.8)	11.3	3.5
	Chemicals	(1.2)	8.7	1.6
	Construction Materials	2.2	40.7	19.5
	Metals & Mining	(0.6)	4.7	1.1
Industrials		(2.2)	19.6	10.5
	Capital Goods	(2.9)	23.4	12.1
	Transport	1.8	(8.2)	(4.0)
	Business Svs	(0.0)	17.8	10.9
Consumer Discretionary		(4.1)	(3.7)	3.3
	Automobile	(4.0)	(1.2)	1.1
	Consumer Durables	(5.2)	(8.9)	2.7
	Media	(2.3)	23.0	9.3
	Retailing	(2.7)	12.0	13.3
	Hotels, Restaurants & Leisure	(2.5)	(4.6)	0.5
Consumer Staples		(4.3)	(7.9)	(2.3)
	Food & Drug Retailing	(1.7)	(6.8)	(4.1)
	Food Beverage & Tobacco	(4.2)	(10.7)	(3.0)
	Household Products	(5.0)	(1.9)	(0.2)
Healthcare		(1.1)	14.6	13.6
Financials		(1.1)	20.6	11.9
	Banks	(0.6)	25.3	17.5
	Diversified Financials	(1.5)	18.3	5.6
	Insurance	(1.7)	15.2	8.6
Real Estate		(4.6)	15.1	(1.2)
Information Technology		2.3	32.3	25.3
	Software and Services	2.9	33.4	18.3
	Technology Hardware	1.8	7.4	8.5
	Semicon & Semicon Equip	2.0	36.7	32.8
Telecommunications Services		(1.2)	9.4	5.9
Utilities		(1.7)	(4.1)	(4.1)

Source: MSCI, Datastream, as at COB 4th Jul, 2024.

Table 15: Country and Region Index Performances

(%change)		Local Currency			US\$		
Country	Index	4week	12m	YTD	4week	12m	YTD
Austria	ATX	1.1	15.8	8.1	0.4	14.8	5.7
Belgium	BEL 20	1.0	11.2	6.7	0.4	10.2	4.4
Denmark	KFX	(1.0)	39.9	24.3	(1.6)	38.5	21.5
Finland	HEX 20	(1.1)	0.6	0.1	(1.7)	(0.3)	(2.1)
France	CAC 40	(4.3)	4.4	2.0	(4.9)	3.5	(0.2)
Germany	DAX	(1.1)	15.0	10.1	(1.7)	14.0	7.8
Greece	ASE General	(1.2)	10.5	11.0	(1.8)	9.5	8.6
Ireland	ISEQ	(3.9)	8.9	8.3	(4.5)	7.9	5.9
Italy	FTSE MIB	(2.1)	20.1	12.4	(2.7)	19.1	9.9
Japan	Topix	5.1	25.7	22.5	1.8	12.6	7.1
Netherlands	AEX	1.2	20.0	18.8	0.6	19.0	16.2
Norway	OBX	(0.6)	12.1	6.8	(0.4)	12.8	2.6
Portugal	BVL GEN	(2.7)	(2.6)	(5.8)	(3.3)	(3.5)	(7.8)
Spain	IBEX 35	(3.3)	15.4	9.5	(3.9)	14.4	7.2
Sweden	OMX	(1.5)	12.0	7.3	(2.2)	15.2	2.9
Switzerland	SMI	(1.4)	7.6	8.4	(2.3)	7.1	1.3
United States	S&P 500	3.4	24.3	16.1	3.4	24.3	16.1
United States	NASDAQ	5.9	31.6	21.2	5.9	31.6	21.2
United Kingdom	FTSE 100	(0.5)	9.6	6.6	(0.6)	9.9	6.7
EMU	MSCI EMU	(2.0)	11.2	8.3	(2.6)	10.2	6.0
Europe	MSCI Europe	(1.4)	11.5	8.4	(2.0)	11.1	5.8
Global	MSCI AC World	2.5	21.1	14.2	2.3	20.1	12.6

Source: MSCI, Datastream, as at COB 4th Jul, 2024.

Earnings

Table 16: IBES Consensus EPS Sector Forecasts — MSCI Europe

	EPS Growth (%yoy)			
	2023	2024E	2025E	2026E
Europe	(3.8)	4.3	10.1	9.1
Energy	(31.6)	(3.7)	2.2	3.2
Materials	(39.0)	7.5	14.3	8.3
Chemicals	(39.0)	23.7	18.9	13.0
Construction Materials	12.2	14.3	9.5	8.7
Metals & Mining	(46.7)	(4.6)	10.4	3.8
Industrials	(0.6)	9.0	13.2	12.0
Capital Goods	20.4	12.1	15.0	11.9
Transport	(56.0)	(11.0)	(0.5)	14.6
Business Svs	3.2	7.8	11.4	10.4
Discretionary	5.0	1.8	10.9	10.2
Automobile	1.9	(6.1)	6.4	6.6
Consumer Durables	(6.0)	1.9	14.7	13.4
Media	1.8	6.1	9.4	8.3
Retailing	40.3	24.3	14.8	11.4
Hotels, Restaurants & Leisure	63.5	40.0	22.6	18.8
Staples	2.4	2.2	8.7	7.8
Food & Drug Retailing	3.7	2.4	10.0	9.3
Food Beverage & Tobacco	2.0	0.7	8.7	7.7
Household Products	2.9	6.2	8.0	7.4
Healthcare	1.1	6.4	14.6	10.9
Financials	15.8	8.3	7.6	8.8
Banks	28.8	3.6	4.4	6.8
Diversified Financials	(20.2)	19.8	21.3	19.7
Insurance	11.4	14.7	8.1	7.2
Real Estate	5.6	2.7	4.1	4.3
IT	14.4	(10.2)	33.7	16.0
Software and Services	18.5	(5.9)	24.1	16.8
Technology Hardware	(19.1)	8.7	7.5	10.6
Semicon & Semicon Equip	27.9	(18.6)	51.0	17.2
Telecoms	(8.5)	9.5	10.6	10.6
Utilities	1.9	(0.2)	0.4	3.9

Source: IBES, MSCI, Datastream. As at COB 4th Jul, 2024.

Table 17: IBES Consensus EPS Country Forecasts

		EPS growth (%change)			
Country	Index	2023	2024E	2025E	2026E
Austria	ATX	(23.6)	6.7	4.2	5.1
Belgium	BEL 20	14.4	(5.0)	15.5	12.1
Denmark	Denmark KFX	(14.9)	32.1	18.0	16.6
Finland	MSCI Finland	(25.2)	0.8	13.8	8.8
France	CAC 40	(2.4)	0.8	9.4	8.1
Germany	DAX	0.2	0.8	12.5	11.0
Greece	MSCI Greece	15.1	(6.8)	3.4	10.3
Ireland	MSCI Ireland	33.8	0.4	2.9	6.5
Italy	MSCI Italy	8.9	0.4	3.5	5.0
Netherlands	AEX	(2.0)	2.1	12.8	8.8
Norway	MSCI Norway	(41.3)	5.3	5.2	1.0
Portugal	MSCI Portugal	16.9	17.0	0.4	7.7
Spain	IBEX 35	8.2	4.9	4.1	5.9
Sweden	OMX	31.9	1.6	8.7	7.1
Switzerland	SMI	(4.5)	11.7	12.6	10.4
United Kingdom	FTSE 100	(10.6)	1.1	8.3	7.9
EMU	MSCI EMU	3.0	3.6	10.6	9.2
Europe ex UK	MSCI Europe ex UK	(0.1)	5.3	10.9	9.5
Europe	MSCI Europe	(3.8)	4.3	10.1	9.1
United States	S&P 500	2.5	10.7	14.6	12.3
Japan	Topix	18.1	8.0	10.4	8.6
Emerging Market	MSCI EM	(6.5)	21.6	15.9	11.0
Global	MSCI AC World	0.1	10.0	13.4	11.1

Source: IBES, MSCI, Datastream. As at COB 4th Jul, 2024** Japan refers to the period from March in the year stated to March in the following year – EPS post-goodwill

Valuations

Table 18: IBES Consensus European Sector Valuations

	P/E			Dividend Yield			EV/EBITDA			Price to Book		
	2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e
Europe	14.4	13.1	12.0	3.3%	3.5%	3.8%	8.2	7.7	7.1	2.0	1.8	1.7
Energy	8.0	7.8	7.6	5.3%	5.2%	5.4%	3.5	3.4	3.3	1.2	1.1	1.1
Materials	16.1	14.1	13.0	3.2%	3.5%	3.7%	7.7	6.8	6.5	1.7	1.6	1.5
Chemicals	23.9	20.1	17.8	2.7%	2.9%	3.0%	11.7	10.6	9.6	2.3	2.2	2.1
Construction Materials	13.0	11.8	10.9	3.5%	3.8%	4.2%	6.9	6.2	5.7	1.4	1.3	1.2
Metals & Mining	11.3	10.2	9.9	3.7%	4.2%	4.5%	5.2	4.4	4.4	1.3	1.2	1.1
Industrials	20.1	17.7	15.8	2.3%	2.5%	2.8%	10.4	9.4	8.6	3.4	3.1	2.9
Capital Goods	20.0	17.4	15.6	2.2%	2.4%	2.7%	11.1	9.6	8.8	3.5	3.2	2.9
Transport	16.1	16.1	14.1	3.1%	3.2%	3.3%	6.7	6.9	6.3	1.9	1.8	1.7
Business Svs	23.3	20.9	19.0	2.3%	2.5%	2.7%	13.1	12.3	11.2	6.6	6.0	5.5
Discretionary	13.1	11.8	10.7	2.8%	3.1%	3.4%	5.1	5.0	4.6	1.9	1.7	1.5
Automobile	5.9	5.5	5.2	5.6%	5.9%	6.3%	1.8	1.6	1.7	0.7	0.6	0.6
Consumer Durables	23.6	20.6	18.1	1.8%	2.1%	2.3%	13.9	12.6	11.3	4.0	3.6	3.3
Media & Entertainment	17.2	15.8	14.5	2.4%	2.6%	2.7%	12.1	9.7	9.2	2.0	2.1	1.9
Retailing	16.2	14.1	12.6	2.4%	2.5%	2.8%	7.1	10.2	7.5	3.6	3.1	2.7
Hotels, Restaurants & Leisure	23.3	19.0	16.0	2.0%	2.6%	2.9%	12.2	10.4	9.4	4.5	4.1	3.6
Staples	16.9	15.5	14.4	3.2%	3.4%	3.6%	10.7	10.0	9.2	2.8	2.7	2.5
Food & Drug Retailing	11.3	10.3	9.4	4.4%	4.7%	5.0%	5.7	5.6	5.3	1.5	1.5	1.4
Food Beverage & Tobacco	16.5	15.1	14.1	3.5%	3.7%	4.0%	10.5	9.8	9.0	2.5	2.4	2.3
Household Products	20.1	18.7	17.4	2.4%	2.6%	2.8%	13.9	12.9	11.9	4.2	4.0	3.6
Healthcare	18.9	16.5	14.9	2.3%	2.5%	2.8%	12.8	11.7	10.1	3.7	3.4	3.0
Financials	9.2	8.6	7.9	5.5%	5.6%	6.0%	-	-	-	1.1	1.1	1.0
Banks	7.4	7.1	6.6	7.0%	6.9%	7.4%	-	-	-	0.8	0.8	0.7
Diversified Financials	14.9	12.3	10.2	2.3%	2.6%	2.9%	-	-	-	1.4	1.5	1.5
Insurance	10.7	9.9	9.2	5.6%	6.0%	6.4%	-	-	-	1.7	1.6	1.5
Real Estate	14.6	14.0	13.4	4.1%	4.3%	4.5%	-	-	-	0.9	0.8	0.8
IT	34.5	25.8	22.2	1.1%	1.2%	1.4%	20.5	15.6	13.6	5.5	4.9	4.4
Software and Services	33.4	26.9	23.0	1.3%	1.4%	1.5%	20.3	16.1	13.9	4.6	4.2	3.8
Technology Hardware	16.9	15.7	14.2	2.3%	2.5%	2.8%	9.3	8.8	7.5	2.1	1.9	1.8
Semicon & Semicon Equip	42.4	28.1	24.0	0.7%	0.9%	1.0%	26.1	17.6	15.4	9.6	8.1	6.8
Communication Services	14.9	13.4	12.1	4.3%	4.3%	4.6%	6.6	6.2	5.7	1.5	1.4	1.4
Utilities	12.3	12.3	11.8	5.1%	5.1%	5.3%	8.0	8.1	8.0	1.5	1.5	1.4

Source: IBES, MSCI, Datastream. As at COB 4th Jul, 2024.

Table 19: IBES Consensus P/E and 12-Month Forward Dividend Yields — Country Forecasts

Country	Index	P/E				Dividend Yield
		12mth Fwd	2024E	2025E	2026E	12mth Fwd
Austria	ATX	8.1	8.2	7.9	7.4	5.8%
Denmark	Denmark KFX	27.3	29.8	25.3	21.7	1.5%
Finland	MSCI Finland	14.9	15.9	14.0	12.9	4.4%
France	CAC 40	12.6	13.2	12.1	11.2	3.5%
Germany	DAX	11.9	12.7	11.3	10.2	3.4%
Greece	MSCI Greece	29.4	30.0	29.0	26.2	1.9%
Ireland	MSCI Ireland	10.8	11.0	10.6	10.0	3.7%
Italy	MSCI Italy	9.1	9.2	8.9	8.5	5.6%
Netherlands	AEX	15.9	16.9	15.0	13.8	2.4%
Norway	MSCI Norway	10.3	10.6	10.1	10.0	6.4%
Portugal	MSCI Portugal	14.8	14.9	14.8	13.8	3.9%
Spain	IBEX 35	10.8	11.0	10.5	10.0	4.8%
Sweden	OMX	14.7	15.4	14.1	13.3	3.8%
Switzerland	SMI	17.0	18.0	16.0	14.5	3.2%
United Kingdom	FTSE 100	11.4	11.8	10.9	10.1	4.0%
EMU	MSCI EMU	13.0	13.7	12.4	11.4	3.5%
Europe ex UK	MSCI Europe ex UK	14.5	15.3	13.8	12.6	3.3%
Europe	MSCI Europe	13.7	14.4	13.1	12.0	3.5%
United States	S&P 500	21.4	23.1	20.2	18.0	1.4%
Japan	Topix	15.4	15.8	14.3	13.2	2.3%
Emerging Market	MSCI EM	12.3	13.2	11.6	10.3	2.9%
Global	MSCI AC World	17.8	19.0	17.0	15.1	2.0%

Source: IBES, MSCI, Datastream. As at COB 4th Jul, 2024; ** Japan refers to the period from March in the year stated to March in the following year – P/E post goodwill.

Economic, Interest Rate and Exchange Rate Outlook

Table 20: Economic Outlook in Summary

	Real GDP % oya			Real GDP % over previous period, saar						Consumer prices % oya			
	2023E	2024E	2025E	4Q23	1Q24	2Q24E	3Q24E	4Q24E	1Q25E	4Q23	2Q24E	4Q24E	2Q25E
United States	2.5	2.3	1.7	3.4	1.4	2.0	1.0	1.0	2.0	3.2	3.3	3.0	2.4
Eurozone	0.6	0.8	1.1	-0.2	1.3	1.5	1.5	1.0	1.0	2.7	2.5	2.5	2.2
United Kingdom	0.1	1.0	0.8	-1.2	2.9	2.0	1.0	1.0	0.8	4.2	2.1	2.4	2.7
Japan	1.8	-0.1	0.7	0.4	-1.8	1.5	1.0	0.8	0.6	2.9	2.6	2.6	3.0
Emerging markets	4.2	4.2	3.6	4.1	6.1	3.0	3.5	3.5	3.4	3.7	3.5	3.5	3.2
Global	2.8	2.6	2.3	2.7	3.2	2.2	2.2	2.1	2.3	3.4	3.4	3.1	2.8

Source: J.P. Morgan economic research J.P. Morgan estimates, as of COB 28th Jun, 2024

Table 21: Official Rates Outlook

	Official interest rate	Current	Last change (bp)	Forecast for				
				Forecast next change (bp)	Sep 24	Dec 24	Mar 25	Jun 25
United States	Federal funds rate	5.50	26 Jul 23 (+25bp)	Nov 24 (-25bp)	5.50	5.25	5.00	4.75
Eurozone	Depo rate	3.75	6 Jun 24 (-25bp)	Sep 24 (-25bp)	3.50	3.25	3.00	2.50
United Kingdom	Bank Rate	5.25	03 Aug 23 (+25bp)	Aug 24 (-25bp)	5.00	4.75	4.50	4.25
Japan	Pol rate IOER	0.10	19 Mar 24 (+20bp)	3Q24 (+15bp)	0.25	0.50	0.50	0.75

Source: J.P. Morgan estimates, Datastream, as of COB 28th Jun, 2024

Table 22: 10-Year Government Bond Yield Forecasts

10 Yr Govt BY	Forecast for end of				
	5-Jul-24	Sep 24	Dec 24	Mar 25	Jun 25
US	4.34	4.50	4.40	4.20	4.00
Euro Area	2.59	2.40	2.20	2.10	2.00
United Kingdom	4.16	4.10	3.95	3.85	3.75
Japan	1.08	1.20	1.45	1.45	1.60

Source: J.P. Morgan estimates, Datastream, forecasts as of COB 28th Jun, 2024

Table 23: Exchange Rate Forecasts vs. US Dollar

Exchange rates vs US\$	Forecast for end of				
	4-Jul-24	Oct 24	Jan 25	Apr 25	Jul 25
EUR	1.08	1.05	1.09	1.12	1.12
GBP	1.28	1.25	1.31	1.35	1.35
CHF	0.90	0.94	0.92	0.89	0.89
JPY	161	157	156	155	154
DXV	105.1	107.1	103.7	101.3	101.1

Source: J.P. Morgan estimates, Datastream, forecasts as of COB 28th Jun, 2024

Sector, Regional and Asset Class Allocations

Table 24: J.P. Morgan Equity Strategy — 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
	Specialty 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
		100.0%	100.0%	0.0%	Balanced

Source: MSCI, Datastream, J.P. Morgan.

Table 25: J.P. Morgan Equity Strategy — Global Regional Allocation

	MSCI Weight	Allocation	Deviation	Recommendation
EM	10.0%	10.0%	0.0%	Neutral
DM	90.0%	90.0%	0.0%	Neutral
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

Source: MSCI, J.P. Morgan *Other includes Denmark, Switzerland, Australia, Canada, Hong Kong SAR, Sweden, Singapore, New Zealand, Israel and Norway

Table 26: J.P. Morgan Equity Strategy — European Regional Allocation

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

Source: MSCI, J.P. Morgan **Other includes Denmark, Switzerland, Sweden and Norway

Table 27: J.P. Morgan Equity Strategy — Asset Class 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



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