

Equity Strategy

Q2 Preview: Consensus call for the EPS narrowing between the Mag-7 and rest might still be lacking

- Q2 reporting season is heating up. Activity was broadly better for the quarter, sequentially, pointing to an improvement in earnings delivery - top chart. This, though, is to a good extent reflected in consensus estimates, where **Q2 EPS projections have not been cut as much entering this earnings season, as is usually the case** - middle chart. Typical cuts to projections in the 3 months ahead of the results are 5%, vs current 1%.
- Broadly, the analysts' implied Q1 to Q4 EPS acceleration of 15% for S&P500 is much higher than what is seen historically. For Q2 specifically, S&P500 is expected by consensus to deliver 9% EPS yoy growth. At the same time, market is trading near highs, with full positioning and extreme concentration, suggesting that there is not much scope to absorb any disappointments.
- The recent weaker consumer dataflow, including a renewed rollover in consumer confidence, as well as continued weakness in China activity, are likely to result in companies having mixed guidance. There has been a **raft of profit warnings in consumer space in the past weeks**, with poor stock reaction, but also in other areas.
- At a regional level, while hurdle rate at face value appears much less challenging in Europe, with SXXP Q2 EPS growth projected at 0% yoy, the median expectations are in fact higher than for the US. **We remain unexcited about Eurozone equities**, in contrast to consensus, but on the positive side we note that they are not stretched, as SX5E has been consolidating already since March, and US PMI trends appear to be softening vs Europe.
- At a sector level, Mag-7 EPS growth projections remain punchy, but are set to decelerate somewhat. SPX ex Mag-7 earnings are projected to be positive at +5% y/y, for the first time in 5 quarters. However, **we note that the convergence in the earnings delivery was the expectation in each of the last 5 reporting seasons, but the end result was always a bigger positive surprise for Mag-7 than for the rest of the market** - bottom chart. This could be the case in the current reporting season, yet again. Within Tech, we reiterate the call from last month to move away from hardware/semis, and into software, on lower yields, on geopolitical uncertainty and given strong past outperformance of Semis.
- Defensives are projected to come in stronger than Cyclical in both the US and in Europe. In the US, Q1 '24 was the first quarter since Q4 '20 that Cyclical EPS growth was weaker vs Defensives. Added to our call for falling bond yields, the improving relative EPS trends for Defensives are helping the lower beta leadership, seen in the market in the past months.
- With respect to the small vs large caps angle, even though we think that broadening in earnings beyond Mag-7 could still underwhelm, there could be a change in the small vs large caps earnings trends. The potential earnings inflection should be an additional support to **our upgrade of UK and Eurozone small caps that we did last month** – see [June Chartbook](#), after having a 2.5 year long preference for large vs small caps.

Equity Strategy

Mislav Matejka, CFA ^{AC}

(44-20) 7134-9741
mislav.matejka@jpmorgan.com
J.P. Morgan Securities plc

Prabhav Bhadani, CFA

(44-20) 7742-4404
prabhav.bhadani@jpmorgan.com
J.P. Morgan Securities plc

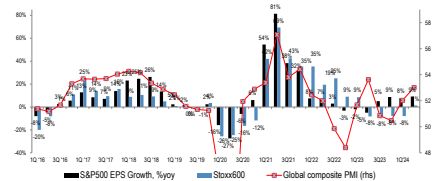
Nitya Saldanha, CFA

(44 20) 7742 9986
nitya.saldanha@jpmchase.com
J.P. Morgan Securities plc

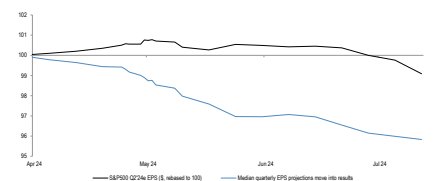
Karishma Manpuria, CFA

(91-22) 6157-4115
karishma.manpuria@jpmchase.com
J.P. Morgan India Private Limited

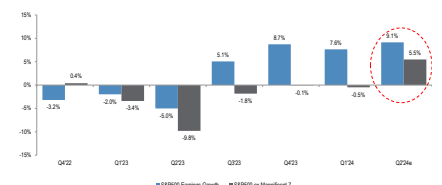
Activity momentum points to a pickup in earnings, suggesting some beats are likely...



...having said that, the tolerance for disappointments is small, as downgrades into the results were lower than normal



The consensus is yet again betting on the convergence in earnings between Mag-7 and the rest, but that was disappointed on each of the past 5 occasions



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

See page 29 for analyst certification and important disclosures, including non-US analyst disclosures.

J.P. Morgan does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

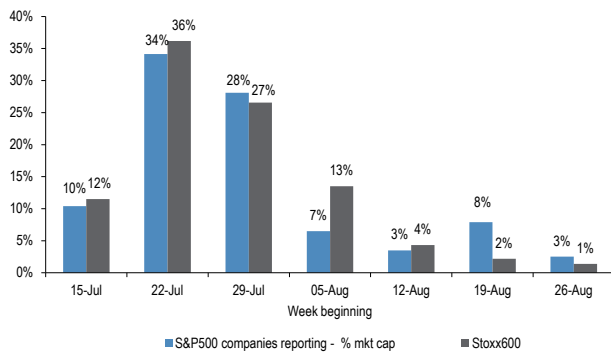
Table Of Contents

Q2 Preview: Consensus call for the EPS narrowing between the Mag-7 and rest might still be lacking.	3
Equity Strategy Key Calls and Drivers	18
Top Picks	20
Equity Flows Snapshot.....	21
Technical Indicators.....	22
Performance	23
Earnings	24
Valuations.....	25
Economic, Interest Rate and Exchange Rate Outlook.....	27
Sector, Regional and Asset Class Allocations.....	28

Q2 Preview: Consensus call for the EPS narrowing between the Mag-7 and rest might still be lacking

Q2 earnings season has started

Figure 1: Q2' 24 Earnings calendar



Source: Bloomberg Finance L.P.

We are entering the busiest weeks of the Q2 reporting season. Over 60% of S&P500 and Stoxx600 market cap is scheduled to report in the coming two weeks.

Improving activity momentum in Q2 points to a sequential pickup in earnings growth...

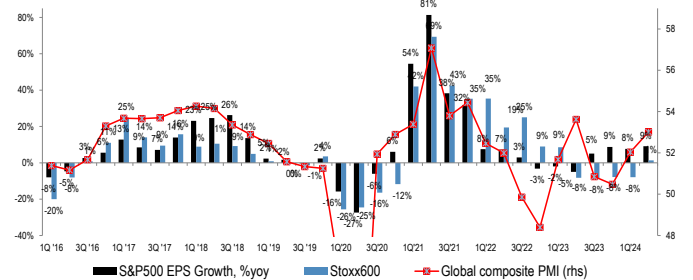
Table 1: The progression of key regional activity indicators

	1Q '23	2Q '23	3Q '23	4Q '23	1Q'24	2Q'24
Real GDP, % oya						
US	1.7%	2.4%	2.9%	3.1%	2.9%	2.9%
Euro Area	1.3%	0.6%	0.2%	0.2%	0.4%	0.6%
Japan	2.4%	2.2%	1.5%	1.2%	-0.3%	-0.9%
EM	3.5%	4.5%	4.3%	4.6%	4.4%	4.7%
IP, %oya						
US	-0.1%	-0.7%	-0.8%	-0.4%	-0.7%	-0.7%
Euro Area	0.8%	-1.2%	-4.6%	-3.5%	-4.7%	-2.8%
Japan	-1.8%	0.8%	-3.6%	-0.9%	-4.3%	-1.7%
PMI Composite						
US	49.7	53.6	50.8	50.8	52.2	53.5
Euro Area	52.0	52.3	47.5	47.2	49.1	51.6
Japan	51.6	53.1	52.3	50.0	51.3	51.5
EM	53.5	54.6	52.5	52.1	53.5	53.8
German IFO	92.8	91.5	86.1	85.6	85.3	88.8
CPI, %oya						
US	5.7%	4.0%	3.6%	3.2%	3.2%	3.2%
Euro Area	8.0%	6.2%	4.8%	2.7%	2.6%	2.5%
Japan	3.6%	3.3%	3.2%	2.9%	2.6%	2.7%
EM	5.4%	3.5%	3.8%	3.7%	3.7%	4.0%
Consumer Sentiment						
US	64.6	62.3	69.6	64.9	78.4	71.5
Euro Area	-19.6	-17.0	-16.3	-16.6	-15.5	-14.3
Japan	31.7	35.6	35.7	35.9	38.1	36.9
Unemployment rate, %						
US	3.5	3.6	3.7	3.8	3.8	4.0
Euro Area	6.6	6.5	6.6	6.5	6.5	6.4
Japan	2.6	2.6	2.6	2.5	2.5	2.6

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

Activity momentum broadly firmed up during the quarter, with PMIs in all regions seeing better prints vs Q1.

Figure 2: US and European quarterly EPS growth and PMI

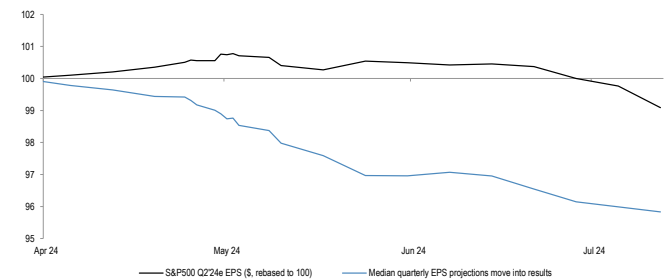


Source: Bloomberg Finance L.P., J.P.Morgan, S&PGlobal

This points to a sequential improvement in earnings growth. While consensus estimates for the US are in line with the uptick in activity momentum, projections for Q2 EPS growth in Europe are still lagging.

The hurdle rate appears to have been downgraded by less this time around, though...

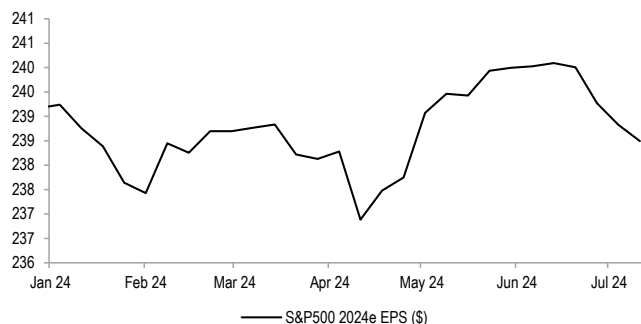
Figure 3: The move in S&P500 Blended Q2'24 EPS projections over the last 3 months, and typical



Source: Thomson Reuters

S&P500 Q2 '24 blended EPS has fallen by only 1% since April. This is fairly unusual, given that the average downgrades entering the past earnings seasons were 4.5%.

Figure 4: S&P500 2024e EPS change ytd

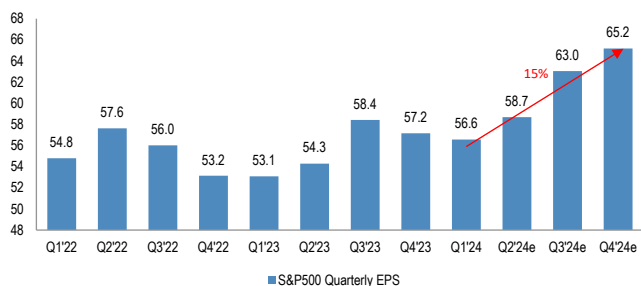


Source: IBES

Earnings projections for 2024 are also flat on the year.

...the consensus expects earnings to accelerate this year, by much more than what is typically seen

Figure 5: S&P500 quarterly EPS levels for different quarters



Source: Thomson Reuters

For the rest of this year, earnings are projected to increase by 15% between Q1 to Q4. This is too aggressive in our view, particularly if growth indicators continue to falter.

Table 2: The change in S&P500 EPS between Q1 and Q4 in a year

	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	56.6	58.7	63.0	65.2	15%
Average					10%
Median					8%

Source: Thomson Reuters

Indeed, the current 15% projection is well above the 8% median growth seen historically for Q4 EPS compared to Q1.

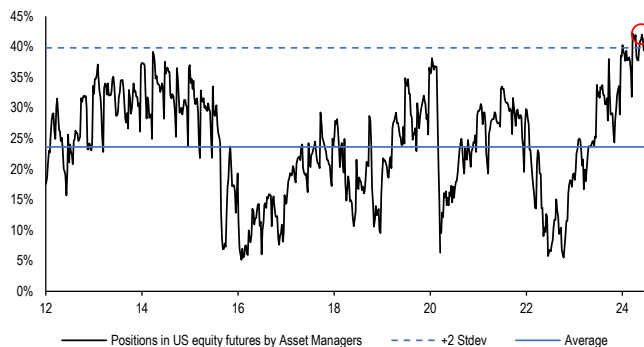
Table 3: Q2 '24e EPS Growth for key regions

	Q2 '24e EPS growth, %y/y			
	US	Europe	Eurozone	Japan
Energy	0%	-10%	-6%	15%
Materials	-11%	12%	17%	-16%
Industrials	-5%	-2%	1%	8%
Discretionary	7%	10%	12%	4%
Staples	0%	-1%	-4%	-6%
Financials	12%	2%	11%	5%
Health Care	15%	1%	-8%	-7%
IT	17%	-1%	-7%	11%
Com. Services	20%	28%	31%	2%
Utilities	5%	9%	10%	-55%
Real Estate	-9%	5%	-4%	-4%
Market	9%	1%	6%	-3%
Market Ex-Financials	9%	1%	2%	-4%
Market Ex-Energy	10%	3%	8%	-3%
Cyclicals	7%	2%	6%	4%
Defensives	12%	5%	5%	-19%
Value	9%	-1%	7%	7%
Growth	13%	1%	-8%	0%

Source: J.P.Morgan, Datastream

The Q2 '24 hurdle rate appears fairly high for the US, at +9% y/y, though it looks more manageable in Europe, at +1%/y.

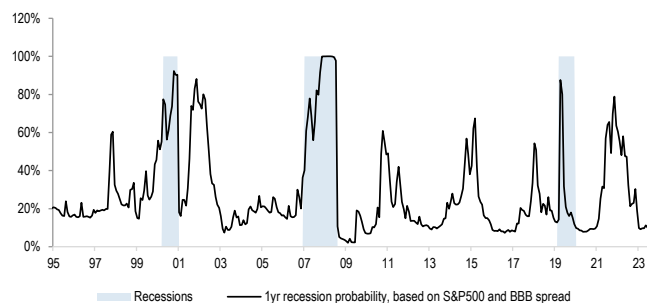
Figure 6: Positions in US Equity futures by Asset Managers



Source: J.P. Morgan Flows & Liquidity Team

At the same time, market is trading near highs, and positioning is stretched, leaving little room to absorb any disappointments.

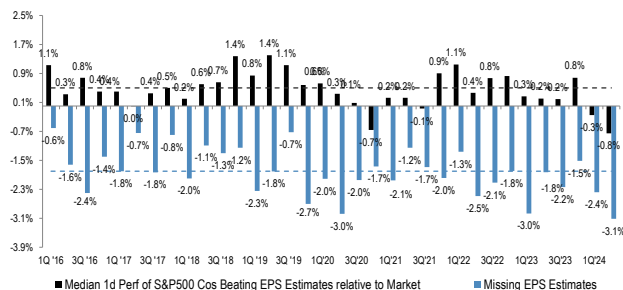
Figure 7: Recession probability indicator



Source: J.P. Morgan

There are clear signs of complacency with respect to the economic and market outlook, evident among forecasters and investors, where implied recession odds are at record lows.

Figure 8: Median 1 day performance of S&P500 companies beating and missing EPS estimates



Source: Bloomberg Finance L.P.

Notably, taking into consideration the 10% of S&P500 companies that have reported so far, stocks that are missing EPS

estimates are being penalized more than usual.

Table 4: US 2Q '24 earnings so far

	SPX
% cos reported	10%
% cos beating EPS	82%
EPS %y/y	8%
% cos beating Sales	45%
Sales %y/y	9%

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

For the 10% of S&P500 companies that have reported, Q2 EPS growth is coming out at +8% y/y.

Table 5: Q2 '24e Sales Growth for key regions

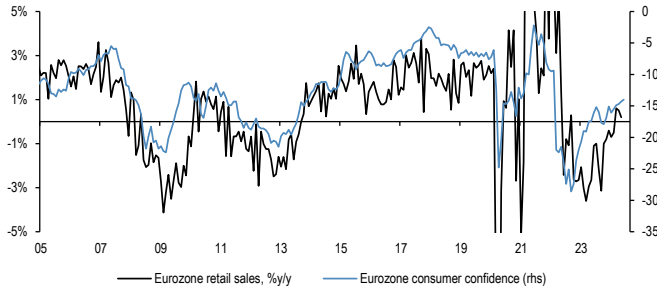
	Q2 '24e Sales growth, %y/y			
	US	Europe	Eurozone	Japan
Energy	6%	4%	5%	3%
Materials	-2%	-2%	-3%	5%
Industrials	-1%	3%	2%	5%
Discretionary	4%	0%	-1%	7%
Staples	1%	2%	3%	6%
Financials	2%	5%	5%	-9%
Health Care	6%	0%	3%	5%
IT	10%	-2%	-2%	4%
Com. Services	7%	1%	0%	2%
Utilities	5%	6%	6%	-7%
Real Estate	7%	10%	9%	8%
Market	4%	2%	2%	4%
Market Ex-Financials	5%	1%	1%	5%
Market Ex-Energy	4%	2%	1%	4%
Cyclicals	4%	0%	0%	6%
Defensives	5%	2%	3%	2%
Value	4%	5%	5%	-4%
Growth	6%	0%	2%	5%

Source: J.P.Morgan, Datastream

Consensus sales expectations for the quarter stand at +4% y/y in the US, and +2% y/y in Europe.

Recent consumer weakness could weigh on guidance... there have been a number of profit warnings already

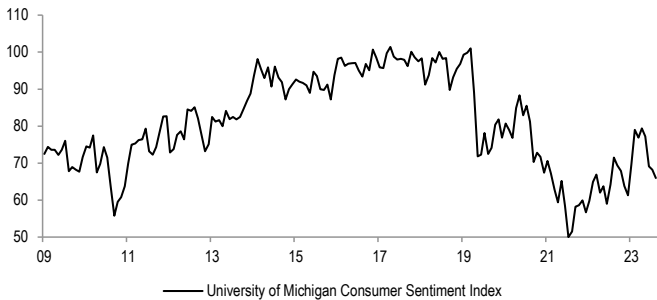
Figure 9: Eurozone retail sales and consumer confidence



Source: Bloomberg Finance L.P.

While we have some sympathy with the view that European consumer could do better this year, given the softness last year and given the improvement in real disposable incomes, our concern is that this should not be generalized.

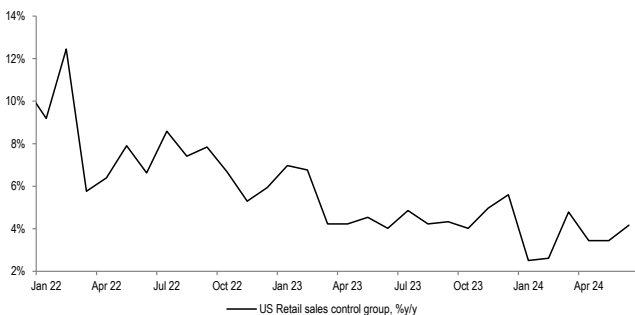
Figure 10: University of Michigan Consumer Sentiment Index



Source: Bloomberg Finance L.P.

For the US consumer, a number of indicators are starting to soften.

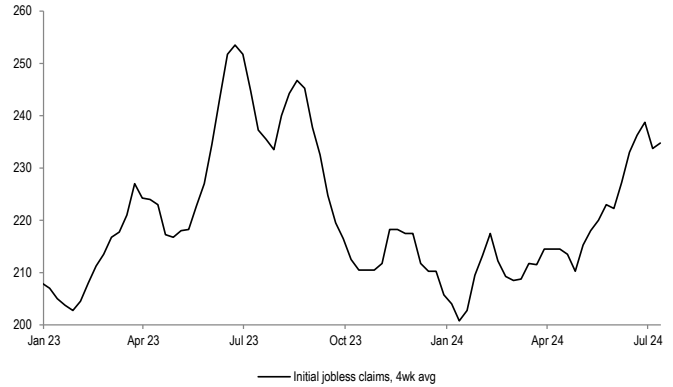
Figure 11: US Retail sales control group



Source: Bloomberg Finance L.P.

While the latest US retail sales print was better, consumer activity is still on a downtrend, post the strong reopening drive.

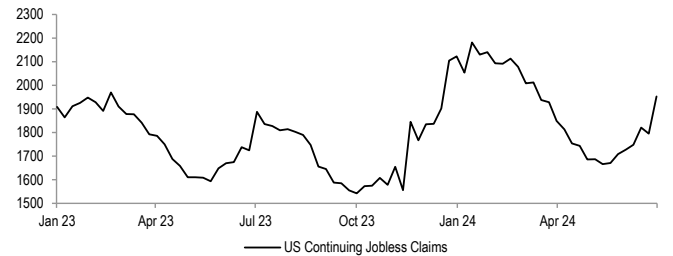
Figure 12: Initial jobless claims



Source: Bloomberg Finance L.P.

Initial jobless claims have been trending higher in the US.

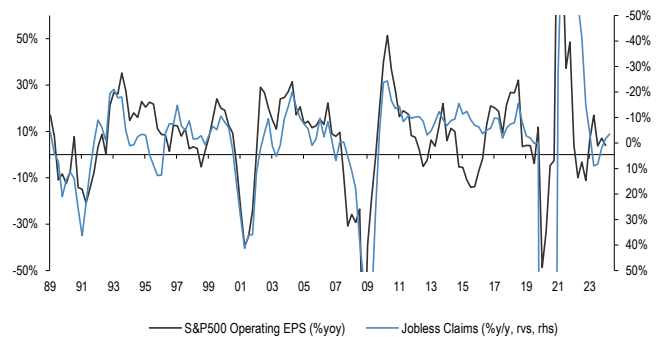
Figure 13: US Continuing Jobless claims



Source: Bloomberg Finance L.P.

Continuing claims have been moving up, too.

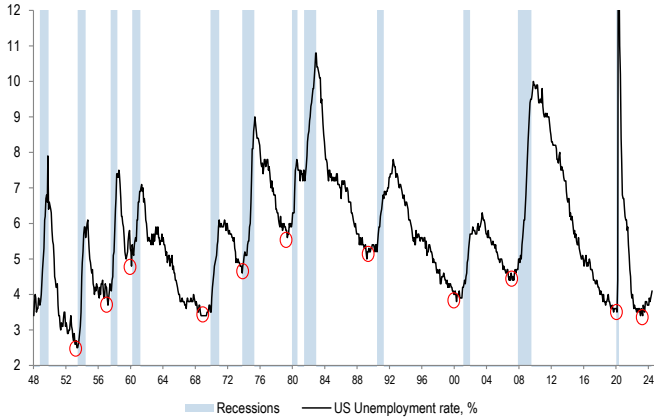
Figure 14: US jobless claims and S&P500 operating EPS



Source: Bloomberg Finance L.P., S&P500

Historically, rising jobless claims are associated with weakening earnings growth.

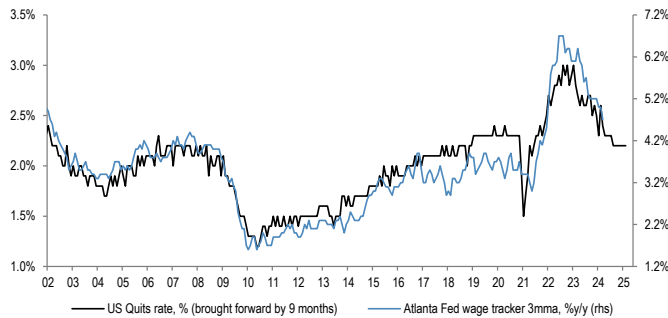
Figure 15: US unemployment rate



Source: Bloomberg Finance L.P.

Unemployment rate has been moving higher of late, which was typically a sign of a downturn.

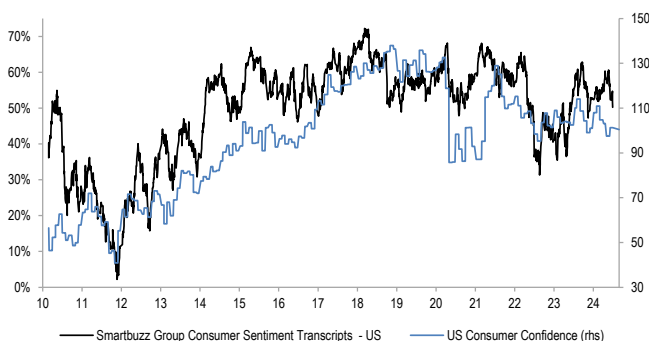
Figure 16: US Quits rate and Atlanta Fed wage tracker



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, and thereby slowing in consumer spend.

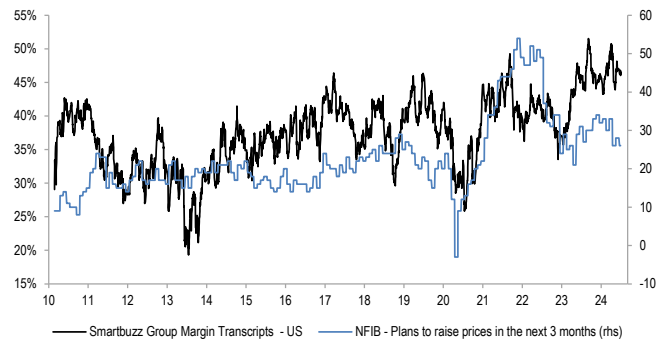
Figure 17: Smartbuzz Group Consumer Sentiment - US and US Consumer Confidence



Source: Bloomberg Finance L.P., Smartbuzz

The JPM Smartbuzz tool that uses an NLP framework to track market themes from earnings call transcripts shows US corporate sentiment on the consumer strength is starting to roll over, and is consistent with the weakening consumer confidence survey.

Figure 18: Smartbuzz Group Margin - US and NFIB - Plans to raise prices in next 3 months



Source: Bloomberg Finance L.P., Smartbuzz

US corporate sentiment on margins is also likely to move lower through the upcoming earnings season, in our view, driven by the combination of weaker consumer and the roll-over in pricing power.

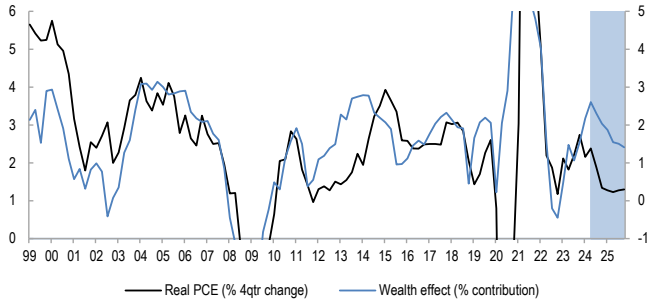
Figure 19: Smartbuzz Group Margin - Europe



Source: J.P. Morgan, Smartbuzz

This is true for Europe, as well.

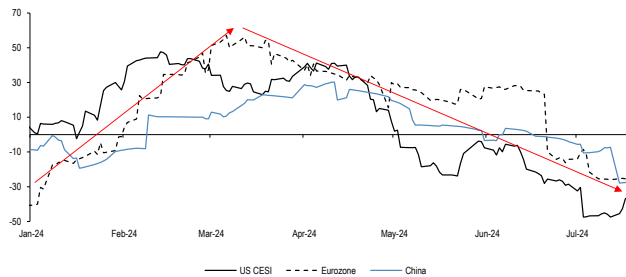
Figure 20: US real spending and wealth effects



Source: J.P. Morgan.

Notably, while our economists remain more positive on the consumer, they project support to spending from the improving ‘wealth effect’, which has been a major driver of consumer strength post-pandemic, to fade.

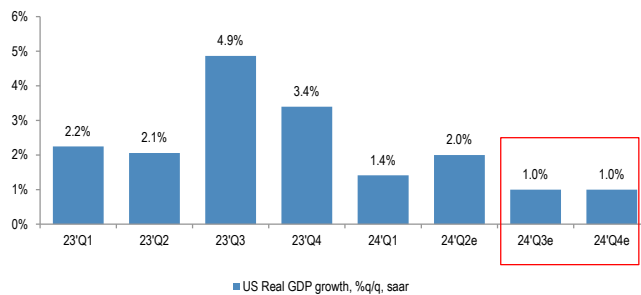
Figure 21: Key regions CESI



Source: Bloomberg Finance L.P.

In addition to the softening in labour market indicators, activity momentum is showing signs of cracking, too. Economic surprise indices have moved into negative territory across key regions in the past months.

Figure 22: JPM US Real GDP growth projections



Source: J.P. Morgan.

Our economists project a slowdown in growth momentum in the US in 2H of this year, which is also likely to put pressure on corporate profitability.

Table 6: Chinese data watch

	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
Manufacturing PMI													
Caixin	50.5	49.2	51.0	50.8	49.5	50.7	50.8	50.8	50.9	51.1	51.4	51.7	51.8
NBS	49.0	49.3	49.7	50.2	49.5	49.4	49.0	49.2	49.1	50.8	50.4	49.5	49.5
Services PMI													
Caixin	53.9	54.1	51.8	50.2	50.4	51.5	52.9	52.7	52.5	52.7	52.5	54.0	51.2
NBS	53.2	51.5	51.0	51.7	50.8	50.2	50.4	50.7	51.4	53.0	51.2	51.1	50.5
Composite PMI - Caixin	52.5	51.9	51.7	50.9	50.0	51.6	52.6	52.5	52.5	52.7	52.8	54.1	52.8
Industry													
Electricity Production, %yoy	2.8%	3.6%	1.1%	2.7%	8.2%	8.4%	8.0%	-	-	2.8%	3.1%	2.3%	2.3%
PI, %yoy	4.4%	3.7%	4.5%	4.5%	4.6%	8.6%	8.8%	-	-	4.5%	6.7%	5.6%	5.3%
FAI, %yoy	3.8%	3.4%	3.2%	3.1%	2.9%	2.9%	3.0%	-	-	4.2%	4.2%	4.0%	3.9%
Consumer Activity													
Retail Sales, %yoy	3.1%	2.5%	4.6%	5.5%	7.8%	10.1%	7.4%	-	-	3.1%	2.3%	3.7%	2.0%
Passenger Car Sales, %yoy	2.1%	-3.4%	6.9%	6.7%	11.5%	25.6%	23.3%	44.0%	-19.4%	10.9%	10.5%	1.2%	-2.3%
70-city house price index, %yoy	-0.4%	-0.6%	-0.6%	-0.6%	-0.6%	-0.7%	-0.9%	-1.2%	-1.9%	-2.7%	-3.5%	-4.3%	-
Liquidity & Monetary Conditions													
M2, %yoy	11.3%	10.7%	10.6%	10.3%	10.3%	10.0%	9.7%	8.7%	8.7%	8.3%	7.2%	7.0%	6.2%
FX Reserves (bn USD)	3183	3204	3160	3115	3161	3172	3228	3219	3225	3248	3261	3222	3222
New Loan Creation (bn yuan)	3050	346	1168	2112	738	1069	1171	4514	1468	3089	731	945	2128

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

Recent weakness in China activity is likely to impact European earnings, given their sizeable revenue exposure to the region.

Table 7: Profit warnings this quarter

Company Name	Company Ticker	Commentary	Date	1Day Perf relative to market, %	Sector
YOUNG & RUBICAM GROUP PLC	YOUN	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%	Discretionary
SOUTHWEST AIRLINES CO	LUVUS	Southwest Air cuts revenue outlook as CEO fends off activist	26 Jun	-0.4%	Industrials
WALGREENS BOOTS ALLIANCE INC	WBAUS	Walgreens shares plunge on outlook cut and more stores closings in continued challenging environment	27 Jun	-22.2%	Staples
HENNES & MAURITZ AB-B SHS	HMBSS	H&M profit warns due to a challenging macro environment that will influence purchasing costs and sales revenues	27 Jun	-12.5%	Discretionary
NIKE INC -CL B	NKEUS	Nike tumbles after warning that it expects sales to drop 10% during its current quarter	28 Jun	-19.6%	Discretionary
AIR FRANCE-KLM	AFFP	Air France expects revenue and profit hit as fliers avoid Paris Olympics	01 Jul	-1.9%	Industrials
NANOCO GROUP PLC	NANOLN	Nanoco Group profit warns because of order delay	02 Jul	-24.3%	IT
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	-17.0%	Industrials
DASSAULT SYSTEMES SE	DSYFP	Dassault profit warns as transaction delays hit second quarter	09 Jul	-4.2%	IT
INDIVIOR PLC	INDVLN	Indivior shares slump as the company cut its full year guidance blaming adverse market dynamics	09 Jul	-35.3%	Health Care
PAGE GROUP PLC	PAGELN	Pagegroup profit warns due to tougher hiring market	09 Jul	-3.3%	Industrials
VOLKSWAGEN AG-PREF	VOW3GY	Volkswagen shares slipped after an overnight profit warning triggered in part by the possible closure of an Audi plant and 3.8% drop in second quarter sales dented by China	10 Jul	-1.2%	Discretionary
DEUTSCHE LUFTHANSA-REG	LHAGY	Deutsche Lufthansa profit warns as it is becoming increasingly challenging for the airline as it contends with negative market trends and aircraft delivery delays	12 Jul	-0.1%	Discretionary
TOPDANMARK A/S	TOPDC	Topdanmark profit warns as its profit forecast for the year after booking one time costs related to IT separation segment with Nordea	12 Jul	-0.6%	Consumer Discretionary

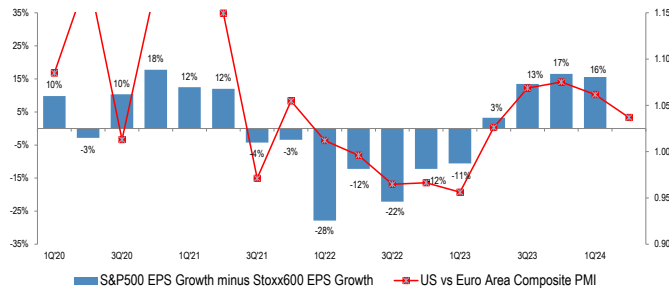
HUGO BOSS AG -ORD	BOSGY	Hugo boss profit warns due to ongoing implications on global consumer sentiment, which are likely to weigh on industry growth	15 Jul	-1.9%	Discretionary
AUTONATION INC	ANUS	AutoNation issues profit warning after disruptions from CDK cyberattack	15 Jul	1.7%	Discretionary
BURBERRY GROUP PLC	BRBYLN	Burberry profit warns due to luxury market proving to be more challenging led by weak demand from Chinese consumers	15 Jul	-15.2%	Discretionary
LINDEX GROUP OYJ	LINDEXFH	Lindex profit warns on fashion market volatility	15 Jul	-6.3%	Discretionary
SWATCH GROUP AG/THE-BR	UHRSW	Swatch profit warns due to decline in sales triggered by sharp drop in demand for luxury goods in China	15 Jul	-8.8%	Discretionary
SPIRIT AIRLINES INC	SAVEUS	Spirit airlines drops after discount airline warning that its quarterly loss will be bigger than expected on weaker fee revenue	16 Jul	2.3%	Discretionary
SCOR SE	SCRF	Scor shares tumble after the French reinsurer issued a profit warning for its life and health business	16 Jul	-24.3%	Discretionary
LESLIE'S INC	LESLUS	Leslie outlook cut citing weak product market	17 Jul	1.1%	Discretionary
UNITED AIRLINES HOLDINGS INC	UALUS	United airlines forecast a lower than expected profit in current quarter and announced plans to cut capacity	18 Jul	0.0%	Industrials

Source: Bloomberg Finance L.P.

The warnings are not limited to consumer, but other sectors have been warning too.

At a regional level, at face value hurdle rate appears less challenging in Europe

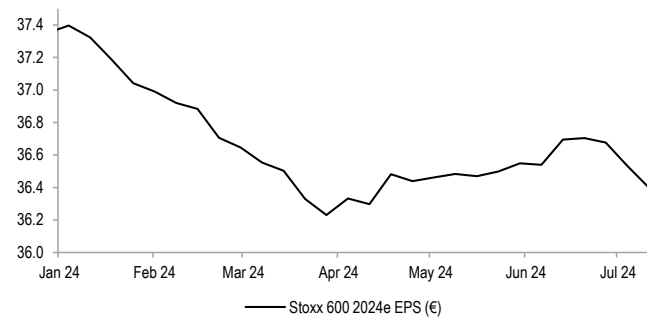
Figure 23: US vs Europe EPS Growth vs PMI



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

At a regional level, the rollover in relative activity momentum, combined with the easier hurdle rate for Europe, points to improving earnings delivery in Europe relative to the US.

Figure 24: Stoxx 600 2024e EPS change ytd



Source: IBES

European 2024 EPS projections have been downgraded by 3% so far this year.

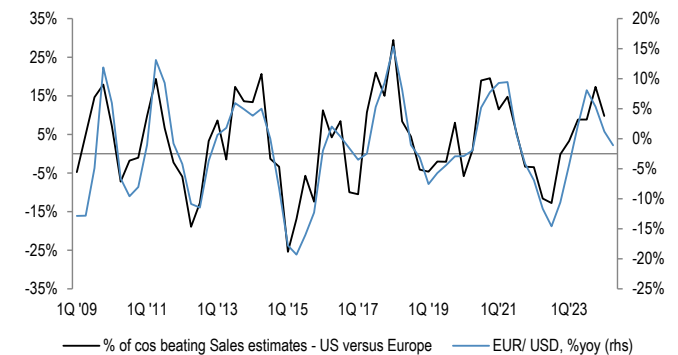
Table 8: Q2 '24e Median EPS growth for US and Europe, %/y

Q2 '24e Median EPS growth, %/y		
	US	Europe
Energy	7%	-6%
Materials	4%	0%
Industrials	6%	1%
Discretionary	0%	9%
Staples	-1%	1%
Financials	9%	5%
Health Care	1%	0%
IT	4%	1%
Com. Services	2%	15%
Utilities	12%	8%
Real Estate	-2%	5%
Market	4%	5%
Cyclicals	4%	3%
Defensives	3%	7%

Source: Datastream, J.P.Morgan

While at face value, European EPS is below the US, the median expectations for Q2 EPS growth is a little lower for Europe than for the US.

Figure 25: % of cos beating Sales estimates in US vs Europe and EUR/USD



Source: Bloomberg Finance L.P.

FX trends also point to favourable sales beats in Europe vs US.

Figure 26: MSCI Eurozone vs US relative performance



Source: Datastream

In contrast to consensus, which turned bullish on Eurozone earlier in the year, and for now continue with this stance, we believe that Eurozone is unlikely to outperform the US. On a positive note, the region is much less stretched than the US entering the Q2 reporting season.

At a sector level, consensus expectations are for a convergence in earnings delivery between Mag-7 and rest of the market...

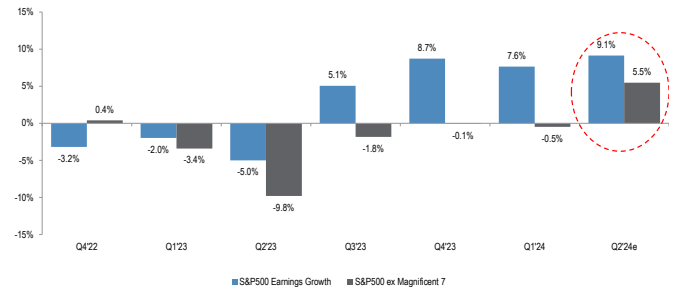
Table 9: Earnings growth for Magnificent 7 companies and S&P500 ex Magnificent 7

Earnings Growth	Q1' 24	Q2 '24e
Alphabet	57%	26%
Amazon	231%	59%
Apple	-2%	3%
Meta Platforms	111%	56%
Microsoft	20%	9%
Nvidia	468%	134%
Tesla	-47%	-31%
Magnificent 7	53%	29%
SPX	8%	9%
SPX ex Magnificent 7	0%	5%

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

Mag-7 stocks have been the main contributor to S&P500 earnings growth for a while, and are yet again expected to deliver elevated earnings growth for Q2 at +29% y/y. This is down from +53% y/y since last quarter.

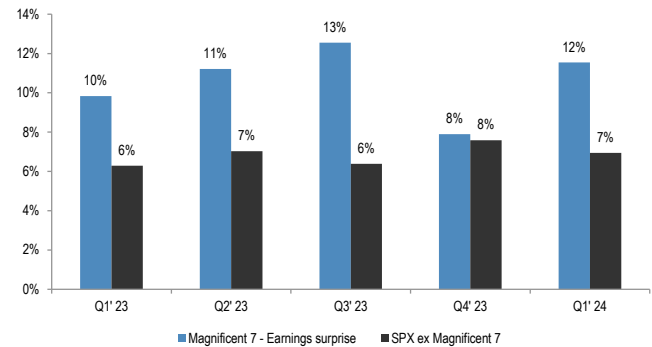
Figure 27: S&P500 and S&P500 ex Magnificent 7 earnings growth, %/y



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

Excluding this group, S&P500 EPS growth was negative in each of the last 5 quarters. Consensus projections are for a broadening in earnings delivery this quarter, expecting S&P500 ex Mag-7 to come in positive for the first time since 2022.

Figure 28: Mag-7 and S&P500 ex Mag 7 Earnings surprise

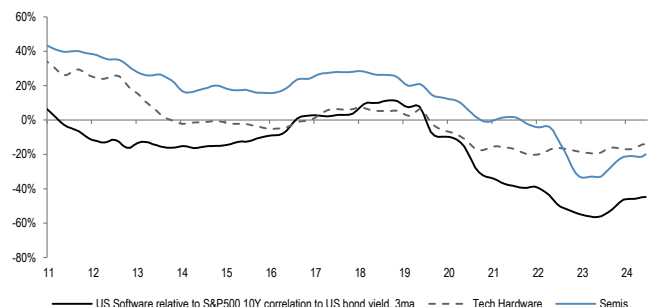


Source: Bloomberg Finance L.P., J.P. Morgan

In each of the past 5 quarters, Mag-7 stocks delivered bigger earnings surprises than the rest of the market.

...within Tech, we recommended last month to rotate from Hardware/Semis into Software

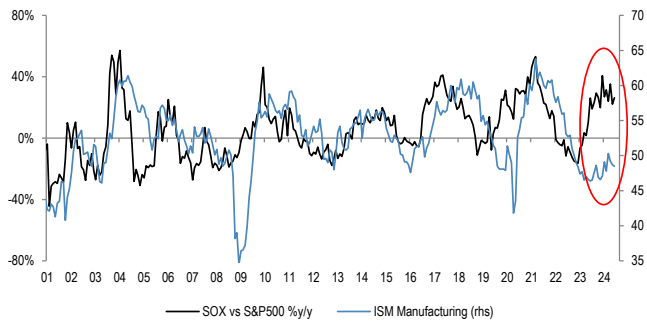
Figure 29: Tech subsectors correlation to US 10Y bond yield



Source: Bloomberg Finance L.P., Datastream

Within Tech, we recommended to move away from Hardware/Semis and into Software. Software sector is best placed to benefit from lower bond yields, in our view.

Figure 30: SOX relative and ISM

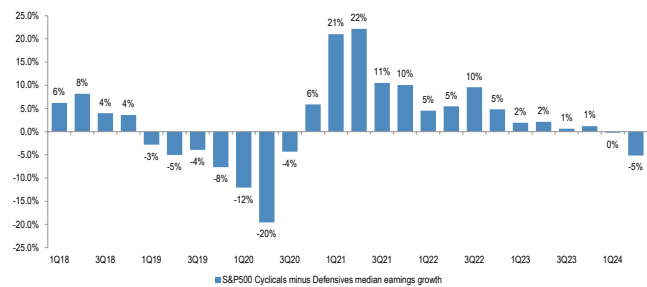


Source: Bloomberg Finance L.P., J.P. Morgan

SOX index is geared to activity momentum, but a substantial gap has opened up in the last quarters. On top of this, the latest ISM manufacturing print moved lower again pointing to downside risk for semis.

Defensives are projected to come in stronger than Cyclical

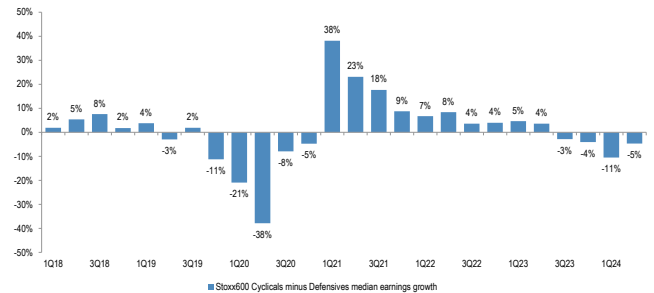
Figure 31: S&P500 Cyclical vs Defensives median earnings growth



Source: J.P. Morgan, Bloomberg Finance L.P. *Includes Q2 projections

Q1 '24 marked the first quarter since 2020 that S&P500 median earnings growth for Cyclical underwhelmed vs Defensives. This trend is likely to continue for Q2, in our view.

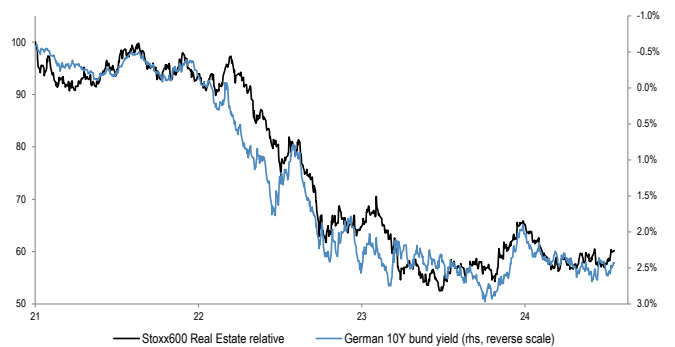
Figure 32: Stoxx600 Cyclical vs Defensives median earnings growth



Source: J.P. Morgan, Bloomberg Finance L.P. * Includes Q2 projections

In Europe, Cyclical have been weaker for some time now; Cyclical vs Defensives median EPS growth projected to stay negative in Q2.

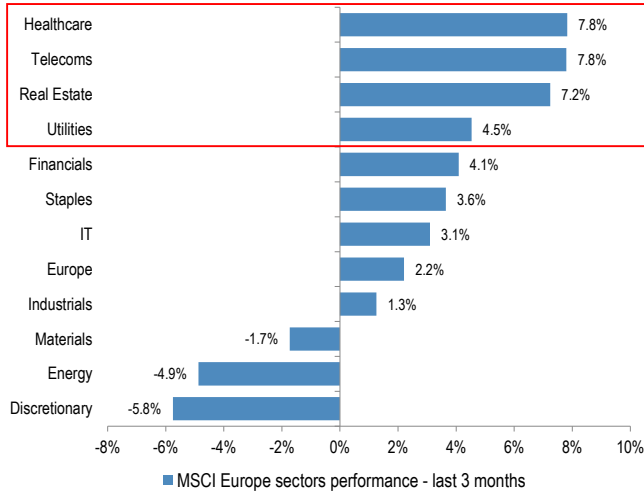
Figure 33: Stoxx 600 Real Estate relative and German 10Y bond yield



Source: Bloomberg Finance L.P.

In April, we argued to add to bond-proxy Defensive sectors like Utilities and Real Estate, on a likely move lower in bond yields.

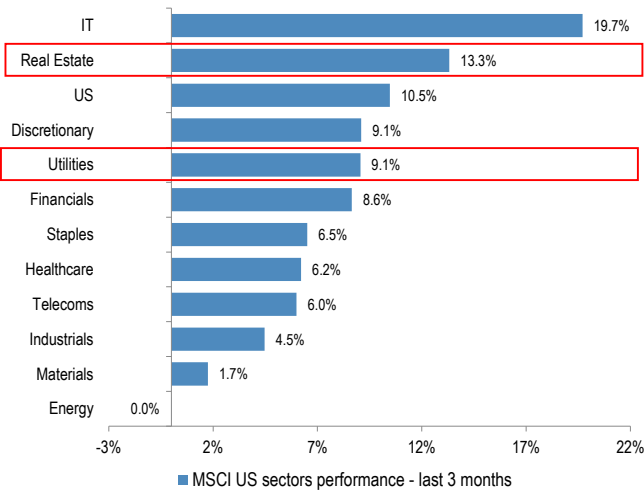
Figure 34: MSCI Europe sectors performance - last 3 months



Source: Datastream

Encouragingly, there has been a turn in performance in the last months, with Defensive sectors catching a bid.

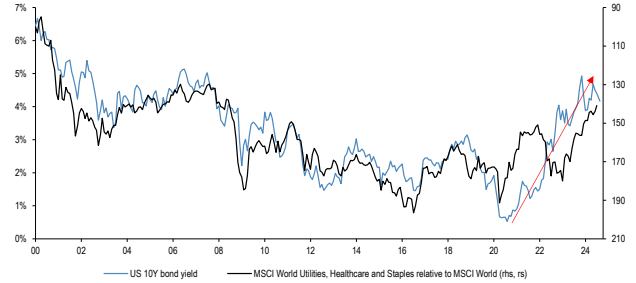
Figure 35: MSCI US sectors performance - last 3 months



Source: Datastream

In the US too, Real Estate and Utilities are up meaningfully in the last 3 months, seeing a big swing post being the worst performing sectors in Q1.

Figure 36: MSCI World Defensives relative and US10Y bond yields

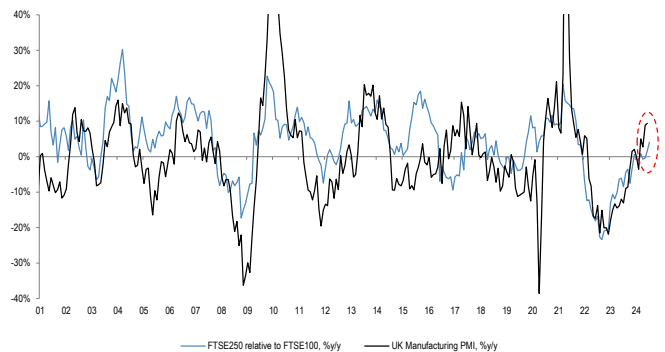


Source: Datastream

If bond yields give back some of their strong up move over the last few years, Defensive sectors are likely to fare better.

We called last month for Small caps to start trading better than Large caps in UK and Eurozone

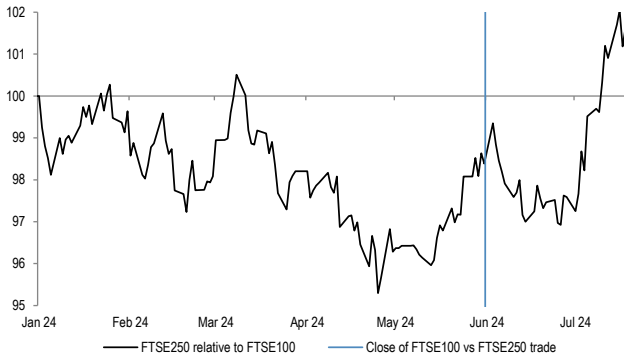
Figure 37: FTSE250 relative to FTSE100 and UK Manufacturing PMI



Source: Datastream, J.P. Morgan

We have been UW UK small caps for the last 2.5 years, and have recently reversed the trade. Domestic activity momentum is a key driver of small vs large cap performance. The recent improvement in UK manufacturing PMI should translate into better earnings and performance for FTSE250 relative to FTSE100.

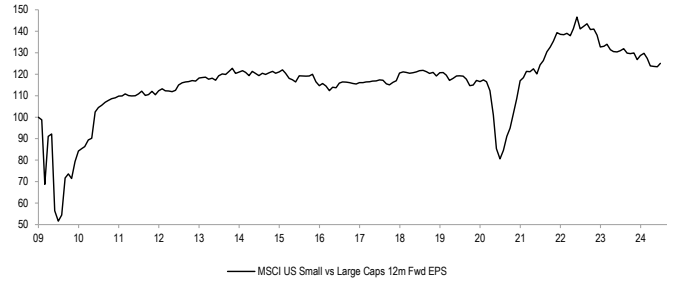
Figure 38: FTSE250 relative to FTSE100 ytd



Source: Datastream

Encouragingly, FTSE250 has started to move above FTSE100 in the last few weeks.

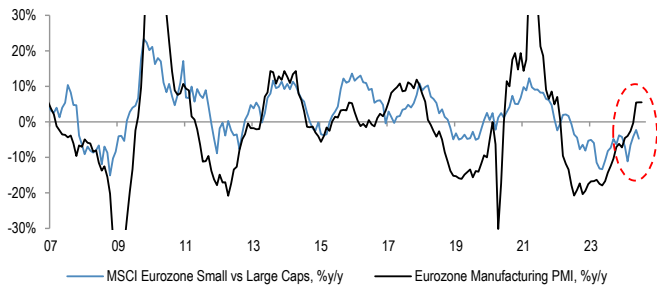
Figure 41: MSCI US Small vs Large Caps 12m Fwd EPS



Source: Datastream

Small vs large caps earnings in the US have been trending lower for the last 3 years.

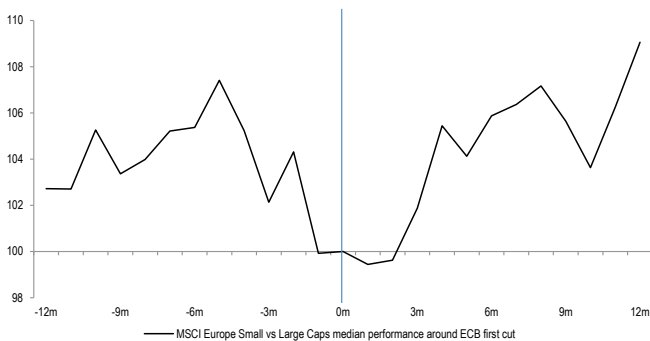
Figure 39: Eurozone small vs large caps and Eurozone manufacturing PMI



Source: Datastream, J.P. Morgan

Eurozone small vs large caps are also likely to fare better on the back of the improvement in PMIs.

Figure 40: MSCI Europe Small vs large cap performance around ECB first cut



Source: Datastream

European small caps tend to outperform large caps post the start of rate cut cycle.

Table 10: Q2 earnings preview commentary by sector analysts

Sector	(+) / (-)	Comments
Energy	(+)	Sector analysts maintain a constructive buy the dips EU Oils thesis with near term oil price upside toward \$90/bbl Brent (JPM Commodities 3Q inventory draw >1mb/d, rising risk premium) and 'committed' cash breakevens firmly 'in-the-money' at \$50-55/boe post capex/divs. This underpins attractive valuations; EPS expectations are well underpinned and a 11.1% 2024/25e base case FCF yield at \$80/bbl rises >12% at \$90. The re- emergence of MTM yields more firmly in double-digit % territory could prove a positive trigger by providing the additional 'cushion' against demand/macro risks. Q screens as solid but unspectacular. Lower refining and seasonal gas trading moderation are main deviations in sequential O&G conditions and 12M rolling EU Oils CFFO \$165bn is >30% below 2022 peak but still top quartile vs. broader history. Their 2Q ideas preference gearing to (upstream) oil and bifurcation in messaging on 2H strategic execution. They suggest staying OW Shell for LNG upside, self-help momentum and are sellers of any notable strength in UW BP as underperformance leaves a balanced 2Q risk/reward. They recommend long Eni (JPM Positive Catalyst Watch) for oil gearing and emergent 2H+ degearing and short a step change in Equinor's re-gearing/falling TSR profile (Negative Catalyst Watch). In the midcaps, they would buy potential weakness in OW Repsol's upcoming trading statement (yield/restructuring) and stay away from UW Neste.
Chemicals	(+)/(-)	Most European chemical companies saw a good demand recovery, also above-seasonal in some cases, in 1Q24 from the very depressed 2H23 levels. This was driven by easing customer destocking (which had been a significant drag from 2H22 onwards) and possibly also modest restocking in select cases reflecting a slight improvement vs. 2H23 in macro indicators (manufacturing PMIs and the associated new orders to finished good ratio). The macro improvement since 2Q24 has slowed, if not stalled. This has meant that some modest improvement in the consensus earnings momentum which was seen post 1Q prints, hasn't yet translated into a broad-based upgrade cycle. If anything, sector analysts have seen further small downgrades to FY24 consensus for multiple companies reflecting a still slower and patchy demand environment from one month to the next. Given the current industry oversupply, especially in China, they note a stronger macro impulse will also be needed for pricing power to improve from the current trough levels across most commodity chemical segments. Overall, while they acknowledge that the broad-based earnings rebound in the sector is still taking longer than our expectations, they retain a positive bias on the sector given that valuations for most stocks remain below long-term levels even on a relatively depressed earnings base. Looking into 2Q, they tactically prefer exposure to stocks with more supportive near-term consensus earnings outlook - Solvay (OW, placed on Positive Catalyst Watch), Evonik (OW) and Novonesis (OW) - vs. the ones where they see a higher risk of material earnings downside risk - Wacker (N, recently placed on Negative Catalyst Watch) and DSM-Firmenich (UW).
Metals & Mining	(+)/(-)	European Metals & Mining has underperformed (SXXP) by 7% YTD and typical macro-economic drivers are muted for H2'24; JPM Economists predict ~4.5% China GDP growth and no significant stimulus, plus the US election in Q4 is likely to amplify macro uncertainty. Our sector analysts retain their OW on Anglo American but they now see significant risk to management's restructuring strategy due to a major fire at coal mine Grosvenor, which is likely to delay Anglo's imminent divestment of its Coal division. Rio Tinto's (OW) shares are vulnerable to seasonal downside risks for iron ore in Q3 but they believe its ~4.5x 2024/25E and 8% FCF yield already discounts ~\$80/t iron ore (\$110/t currently). They previously placed Norsk Hydro (OW) on Positive Catalyst Watch for Q2 results (23rd July) and our NOK 88 Dec'25 PT carries ~30% upside. They expect Boliden (Neutral) will miss Q2 net debt and FCF and expect Q2 EBITDA will be boosted by a SEK 2.4bn one-off insurance receipt.
Capital Goods	(+)/(-)	Sector analysts expect a Q2 trading backdrop largely unchanged from that of the Q1, see few surprises on the numbers, and forecast an average 2% miss on earnings. However, it is the outlook where they see a change, with a shift to a 'two-speed' demand backdrop; electrification and everything else. For the electricity value chain, including datacenters, they expect another strong quarter and any guidance upgrades will most likely come from the stocks with exposure here. Outside of electrification and specific outliers, chiefly Aerospace & Defence, the backdrop looks more mixed, consistent with manufacturing PMI momentum having clearly stalled and they see risk to the H2 numbers in our short-cycle coverage at least. Against this backdrop, and with the sector multiple rich versus history, they look to be selective both near and longer term. At this stage, subject to updated consensus numbers, heading into the Q2 reporting season, they tactically prefer ABB, Knorr-Bremse, Prysman and Rotork, and are more cautious on Assa Abloy, Epiroc, Metso, Sandvik, Spectris and Wartsilä. Rotork is on Positive Catalyst Watch; Metso and Wartsilä are on Negative Catalyst Watch.
Aerospace & Defense	(+)	Civil Aero: Sector analysts expect a mixed quarter. Airbus new aircraft deliveries were weaker than expected in Q2; at the end of June the company lowered its delivery guidance for FY24-27. They expect a better Q2 from the aero engine companies. The engine companies lose money on new engine sales and so lower than expected new engine sales (due to lower aircraft deliveries by Airbus and Boeing) boosts their EBITA. They also expect solid growth in spare part sales. Defence: They expect good organic growth from European defence companies in Q2. The standout performer should be Rheinmetall where they expects Q2 sales will be up c40% yoy, with rising EBITA margins and improved FCF.
Luxury	(-)	Sector analysts expect Q2/H1 24 reporting to confirm relatively soft trends for the luxury sector, broadly in line with Q1. They think the comments on exit rates will likely be a very important focus given the easing comp base from June and the need for signals of re-acceleration to underpin the current H2 expectations. In this context, comments from companies reported so far have not indicated any material improvement and would be a key focus for upcoming conference calls. Looking into H2, based on current newsflow and latest sector trends, they think the re-acceleration might happen at a slower pace than what is currently factored into consensus and hence that earnings revision for the sector might still be skewed to the downside, which indeed has been confirmed so far by Burberry, Swatch and Hugo Boss (leading to DD% cuts in estimates) and to a lesser extent they expect it at LVMH and Kering (the latter though already embedding some positive brand inflection which currently is not apparent in our Brand Heatmap). The only name where they continue to see material upside to consensus going into H2 is Prada, which they have on Positive Catalyst Watch into H1 results. The sector has been de-rating in the last couple of months and is now trading at more compelling levels; however, with an uninspiring H1 reporting so far and ahead and still earnings cuts to come they do not see a catalyst short term to turn more constructive for now.
Media	(+)/(-)	Sector analysts expect broadly a continuation of Q1 trends for most companies in the Media space. Exceptions are ITV, RTL, Ubisoft and Embracer. ITV should see Q1 ad growth of 3% accelerate to 20% in Q2 partly due to strong demand during the Euros offsetting delayed advertising during the election. RTL is expected to see a slowdown in ad growth from 10% in Q1 to flat in Q2 due to the timings of easter and the euros impacting German advertising. Ubisoft and Embracer will see quiet quarters with no major releases, with several major AAA titles expected for each later in the year.

Retailing	(-)	For calendar Q2, the clothing segment is expected to be weighed by unfavourable weather across regions which has impacted footfall and spend (with the former likely also impacted by sporting events). Tough comps are also unhelpful early in the quarter. Sector analysts expect some pure online players such as Zalando to have proven more resilient, and indeed online traffic trends point to this, given a lesser impact from softer high street footfall, and also facing weaker comps. Such players should also benefit from some gross margin recovery given tighter buying and a more normalised inventory environment across the industry. Sales in the homewares segment are also expected to have remained weak, although particularly in DIY, gardening and big ticket. Data suggests that small-ticket items have fared better. They also note that consumer sentiment remains crucial, with mixed signals across different regions: we have seen sequential improvement in consumer confidence in regions such as Germany, UK and Spain in Q2 vs Q1, while sequentially weaker in regions such as France and Italy. On margins, they see potential headwinds from freight into next year which retailers could take the opportunity to call out (ongoing wage inflation could also be a factor). Overall, they are somewhat cautious on the outlook for Q2 (with the notable exception being Zalando, Positive CW) as the sector faced challenges from weather impacts.
Food&Tob	(+)	For Food/HPC sector analysts expect organic sales growth to see limited change versus the prior quarter, with Q2 JPMe +3.5%, but similarly weighted volume (+1.6%) vs pricing (+1.9%) for the first time in 3 years. Whilst volumes are on a gradually improving path, as marketing activities step up and comparatives ease, they see risks also - notably US pressures (mass beauty slowdown, and still soft food volumes) and China weakness. On margins meanwhile, they expect H124 is also set to be the most benign COGS inflation set-up which should support Gross Margin rebound +165bps, but tempered on EBIT to +55bps as A&P is further ramped up. Into Q2/H1 reporting they placed Unilever (OW) and Symrise (OW) on Positive Catalyst Watch.
Beverages	(+)/(-)	Sector analysts expect Q2 organic sales growth of +4.5% with volumes slightly sequentially deteriorating on shipment phasing while pricing should remain resilient. H124 should also see solid EBIT margin progression given further pricing amid fading input cost inflation. They remain positive on the Beer sub-sector which offers the best combination of EPS growth at reasonable valuation and has already seen a solid start to 2024, and prefer ABI (OW) and Heineken (OW, +ve CW) while also seeing a solid 2024 outlook for Soft Drinks (prefer CCEP). They remain most cautious on Spirits given risks of further EPS downgrades and disappointing guidance from Diageo and Pernod Ricard. The focus remains on the weakness in demand in several key markets (USA, China), though they expect that increasing pressures from volumes de-leverage and weakening mix/pricing with elevated promotions will lead to further correction on consensus margins.
Medtech	(-)	Sector analysts believe trends from Q1 should largely continue in Q2 with normalisation of top-line growth and improving inflation for most companies. Overall, they expect a mixed bag of results with some share price volatility to continue in Q2 on the back of positioning. They have seen early indications on this from the Carl Zeiss and Demant profit warnings, where shares were down c20% and c15% respectively on the day of the announcement. On the other hand, Ambu issued a positive pre-announcement with FY guidance raise, the shares closed up c5%. Overall, they remain cautious as they continue to see some risks from: <ul style="list-style-type: none"> • Ongoing headwinds in China (anti-corruption and slower consumer) • Weak development in the US dental market • Trading days benefit from Easter timing partially offset by poor weather and elections in some European countries.
Banks	(+)/(-)	The Banks sector has outperformed the Market by c14% YTD, now trading on 7.4x PE, 0.9x PTNAV for a RoTE of 13.3% 2026E. Our sector analysts have taken a bottom up approach to stock selection where they see a) less risk on earnings cuts (e.g. rates driven) with more market/AM exposure than NII (UBS, DBK, Intesa) and b) less Euro NII exposure considering low relative betas which are at risk of rising (NWG). Key topical areas include 2Q results as well as forward looking commentary across 2024 and the medium term: 1) The NII outlook/sensitivities considering Euro rate cuts, with a) volatile rate curves with the forward curve higher compared to 1Q but still indicating ECB rate cuts towards 2.5% in the medium term, b) rising deposit betas and the deposit pricing actions following rate cuts, c) ongoing risks of deposit migration and deposit outflows particularly with rates declining, d) higher wholesale funding costs with refinancing needs (e.g. TLTRO, TFSME). Commentary around the outlook for loan growth and potential impact of lower rates on loan demand, asset pricing and margins will also be in focus. 2) The outlook for Fees given a continued economic recovery with rising equity markets in 2Q which could impact flows and AUM. 3) Inflationary impacts on the cost base which are lagging the decline in headline inflation including stickier wage inflation, as well as the outlook for investment/regulatory spend. 4) IFRS9 provisioning given risks of elevated rates across a longer period of time, alongside inflationary and funding cost pressures risking a deterioration in Credit in some segments (e.g. CRE). 5) Capital return for some banks in 2Q and capital build progression across the sector, with Basel 4 implementation expected in the coming quarters. 6) IB performance with Global IBs 2Q forecasted at FICC Revenues +8% YoY, Equities Revenues +4% YoY and IBD +29% YoY led by DCM.
Diversified Financials	(+)/(-)	<ul style="list-style-type: none"> • Private markets asset managers: Partners Group was the first to report, with a solid print across fundraising, deployment, and realisations, broadly in line with the optimism, sector analysts had flagged in their preview. They believe this should read positively for EQT's upcoming results. Industry wide data from PitchBook point to global private markets fundraising tracking broadly in line with the 2023 pace. The fundraising/deployment cycle has now reverted back to the long-term average of three years between closings of the funds in the same fund family. PitchBook data also point to still subdued Private Equity volumes as of the end of June 2024, both for exits as well as deployment in Europe. Having said that, Q2 exits and investments were higher than Q1 24, which is encouraging. • Traditional asset managers: For DWS, they expect the Q2 24E underlying net flow picture to be decent, with net inflows in active fixed income, passive and money market and outflows in active equities and alternatives, broadly similar to the trends seen in Q1. However, DWS's CEO guided for "low double-digit billion" outflows as a whole, due to low-margin outflows which they presume are in the fixed income asset class (potentially insurance mandate redemptions, in our view, which wouldn't be captured by Morningstar). For Amundi, preliminary data from Morningstar for Q2 24 point to €6.5bn long term net flows for Amundi, showing promising momentum particularly around fixed income – however, they do acknowledge that near-term volatility following the French elections may delay the shift of net flows towards higher risk/higher margin asset classes. For Schroders, they actually expect outflows in H1 24E driven by Solutions, Mutual Funds, and Institutional. • Exchanges: As they wrote in their preview, they expect no major surprises from 1H24 results, but they believe that investors' expectations and scrutiny will gradually increase in 2H, given the planned Capital Market Day of Euronext on the 8th November, and LSEG's partnership with Microsoft, which is expected to generate revenues from late 2024/early 2025. For Deutsche Börse, they expect the focus will be mainly on the progresses made with Investment Management Solutions, as well as with Eurex Fixed Income offering. • Platforms: Avanza has already reported, with a miss on both revenues/costs driven by idiosyncratic issues relating to a customer reimbursement/fine from IMY, while delivering beats on all other key revenue lines. During the analyst call, the lack of a clear guidance on the pace and costs associated with the planned transition to the cloud, and the possible pricing pressure arising from the offering of multi-currency trading accounts, might have generated some uncertainty among investors. The absence of similar one-offs at Nordnet, as confirmed by management, and the already implemented transition to the Cloud, as discussed at the Technology day, might result in positive read-across for Nordnet at the upcoming results. For Hargreaves Lansdown, the focus will be on any updates around the non-binding proposal received from a Consortium of private equity investors, which the board said that it was willing to unanimously recommend to HL shareholders. In accordance with regulation, the Consortium will have to communicate by no later than the 19th of July 2024 whether it intends to make an offer, or otherwise to withdraw. Given their concerns for Hargreaves' fundamentals remain, they continue to see risk skewed to the downside.

		<p>Sector analysts stay positive on the European insurance sector heading into the Q2 earnings season. They would expect to see generally supportive conditions for the non life insurers with pricing conditions remaining firm offering the potential for strong top line growth. The second quarter saw a more active period for catastrophe losses versus historical averages but they would expect that most companies remain within their catastrophe budgets and this follows on from a relatively benign Q1. In retail non life, they expect that results are unlikely to return back to historical levels in 1H24 with this now expected to be in 2H24.</p>
Insurance	(+)	<p>They are expecting generally stable to higher earnings for the life insurers given relatively high negative experience variances in 1H23, and a higher yield environment supporting investment margins and CSM growth. Their forecasts so far suggest ~3%-5% life earnings growth on average at 1H24E vs. 1H23. Given the recent profit warning at SCOR, the market will be looking out for any signs of negative assumption charges or experience impacting life CSM growth. They do not expect this and believe that other insurers have not been impacted by the issues that have affected SCOR.</p> <p>Solvency positions should remain strong overall with market movements generally favourable for the sector.</p>
General Healthcare	(+)	<p>Sector analysts anticipate a relatively solid 2Q'24 earnings season across Large Cap Pharma, with the majority raising FY'24 guidance (though this is largely anticipated by Consensus) and the remainder leaving guidance unchanged. For the 2Q'24 numbers they are broadly in-line to slightly ahead of Consensus suggesting a solid reporting season from EU Pharma.</p>
Software	(-)	<p>With Dassault Systèmes and IONOS already two companies in sector analysts European Software coverage that pre-announced lower-than-expected Q2 revenues and have both trimmed their FY24 revenue growth guides by ~2pt, as well as softer datapoints coming from US peer reporting (Oracle, Workday and Salesforce have all seen demand pressures in their April/-May-end quarters), they see the sector as under continued pressure from increased deal scrutiny, elongated sales cycles and deal compression, with geopolitical uncertainty adding to these dynamics. In this environment, they see SAP as a safe haven thanks to its migration cycle driven growth and into Q2 they expect continued robust current cloud backlog (leading indicator) growth at ~28% cc and see the potential for LSD% Non-IFRS EBIT outperformance relative to company consensus (they have placed SAP on +ve CW into Q2 results on 22nd July). On the IT Services side, they expect no material change in customer spending patterns vs. the prior quarter and expect discretionary spend to remain subdued. For Capgemini, they expect Q2 results to be in line with expectations on growth/margins, forecasting -0.9% Q2 organic growth (vs. -3.6% Q1) and ~0.9% organic growth for FY24 (though note lower for longer discretionary could be a source of downside).</p>
Telecoms	(+)(-)	<p>Rising promotional activity and tougher comps suggest service revenue growth will slow in Q2 (Q2 +1.2% vs Q1 +1.9%). Top picks into Q2 include DT (anticipation around October CMD), CLNX (Q2 results and Austrian sale) and PROX (scope for guidance upgrade and fibre deal). Stocks to avoid are ORA (French competition), VOD (growth to slow in Q1), TEF (Spanish and UK competitive pressures), and BT (tough Q1 comp).</p>
Utilities	(+)	<p>Sector analyst expect European Utilities to continue to report solid numbers in Q2, continuing the robust trends evidenced in Q1. Generators should continue to benefit from high hydro availability, price volatility and arbitration opportunities. The retail businesses should continue to operate with strong underlying margins while benefiting from ad hoc opportunities to maximise margins due to the spread between wholesale and retail prices.</p>

Source: J.P. Morgan.

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 11: 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 13.6x 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 12: : 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 13: Index targets

	Dec '24 Target	18-Jul-24	% upside
MSCI Eurozone	256	290	-12%
FTSE 100	7,700	8,205	-6%
MSCI EUROPE	1,850	2,057	-10%
DJ EURO STOXX 50	4,250	4,870	-13%
DJ STOXX 600 E	460	514	-11%

Source: J.P. Morgan.

Table 14: 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 15: 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, Nil 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 16: 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 17: J.P. Morgan European Strategy: Top European picks

Name	Ticker	Sector	Rating	Price	Currency	Market Cap (€ Bn)	EPS Growth			Dividend Yield	12m Fwd P/E			Performance	
							23e	24e	25e	24e	Current	10Y Median	% Premium	-3m	-12m
ENI	ENI IM	Energy	OW	14	E	46.9	-35%	-13%	0%	6.4%	6.7	12.5	-46%	-6%	6%
TOTALENERGIES	TTE FP	Energy	OW	64	E	153.0	-33%	-2%	3%	4.8%	7.4	10.6	-30%	-5%	24%
SHELL	SHEL LN	Energy	OW	34	E	212.2	-23%	0%	2%	3.5%	8.8	11.1	-21%	1%	24%
CRH PUBLIC LIMITED	CRH LN	Materials	OW	80	US\$	49.9	-14%	25%	9%	1.7%	14.1	14.9	-5%	3%	38%
RIO TINTO	RIO LN	Materials	OW	5004	£	100.6	-11%	2%	-1%	6.7%	8.8	10.2	-14%	-7%	-2%
NORSK HYDRO	NHY NO	Materials	OW	66	NK	11.2	-60%	29%	38%	3.8%	10.0	12.3	-19%	-8%	2%
ANGLO AMERICAN	AAL LN	Materials	OW	2286	£	33.3	-51%	-14%	18%	3.2%	12.9	9.5	36%	5%	-1%
SCHNEIDER ELECTRIC	SU FP	Industrials	OW	221	E	127.1	2%	15%	13%	1.6%	24.9	16.5	51%	3%	37%
ASHTREAD GROUP	AHT LN	Industrials	OW	5426	£	28.2	26%	-	-	1.4%	17.2	14.1	22%	-3%	-1%
RYANAIR HOLDINGS	RYA ID	Industrials	OW	17	E	18.8	-	-	-	0.0%	8.4	12.7	-34%	-19%	1%
AIRBUS	AIR FP	Industrials	OW	131	E	103.7	10%	-14%	35%	1.4%	20.3	18.5	10%	-19%	-2%
MTU AERO ENGINES HLDG.	MTX GR	Industrials	OW	246	E	13.2	24%	12%	14%	0.8%	18.7	18.1	3%	15%	10%
STELLANTIS	STLAM IM	Discretionary	OW	19	E	57.5	12%	-17%	5%	8.2%	3.8	4.7	-19%	-22%	14%
BMW	BMW GR	Discretionary	OW	92	E	57.8	-35%	-7%	-1%	6.6%	5.6	7.6	-26%	-14%	-
INDITEX	ITX SM	Discretionary	OW	45	E	141.0	27%	-	-	2.7%	22.6	24.0	-6%	3%	30%
ADIDAS	ADS GR	Discretionary	OW	232	E	41.7	-154%	-	117%	0.3%	42.0	24.8	69%	3%	34%
RICHEMONT N	CFR SW	Discretionary	OW	135	SF	82.4	78%	-	-	1.8%	19.5	20.8	-6%	5%	-5%
COMPASS GROUP	CPG LN	Discretionary	OW	2195	£	44.4	50%	14%	10%	1.9%	22.0	20.9	5%	1%	5%
COLRUYT GROUP	COLR BB	Staples	OW	46	E	5.8	-27%	-	-	1.7%	15.2	17.6	-13%	12%	29%
ANHEUSER-BUSCH INBEV	ABI BB	Staples	OW	56	E	113.7	-5%	9%	13%	1.3%	17.3	19.4	-11%	4%	9%
NOVO NORDISK 'B'	NOVOB DC	Health Care	OW	887	DK	530.8	52%	25%	26%	1.1%	33.8	22.8	48%	3%	67%
ASTRAZENECA	AZN LN	Health Care	OW	12126	£	223.4	9%	13%	14%	1.8%	17.7	17.7	0%	11%	18%
SMITH & NEPHEW	SN/ LN	Health Care	OW	1102	£	11.4	1%	12%	19%	2.6%	14.0	18.4	-24%	14%	-6%
UBS GROUP	UBSG SW	Financials	OW	27	SF	97.8	-99%	4320%	59%	2.3%	17.8	10.4	72%	6%	49%
NATWEST GROUP	NWGL LN	Financials	OW	336	£	33.2	38%	-20%	9%	5.1%	7.8	10.0	-23%	22%	34%
ING GROEP	INGA NA	Financials	OW	17	E	56.1	106%	-9%	8%	6.5%	8.6	9.0	-5%	12%	30%
INTESA SANPAOLO	ISP IM	Financials	OW	4	E	67.1	79%	20%	4%	8.1%	7.6	10.0	-24%	9%	49%
LONDON STOCK EXCHANGE GROUP	LSEG LN	Financials	OW	9470	£	59.8	2%	10%	13%	1.2%	24.9	23.0	8%	5%	14%
AMUNDI (WI)	AMUN FP	Financials	OW	67	E	13.7	4%	8%	7%	6.1%	9.9	12.6	-21%	5%	19%
DASSAULT SYSTEMES	DSY FP	IT	N	34	E	45.5	6%	7%	9%	0.8%	25.3	31.7	-20%	-12%	-16%
ASML HOLDING	ASML NA	IT	OW	839	E	335.1	41%	-5%	60%	0.7%	32.9	27.3	21%	0%	26%
ASM INTERNATIONAL	ASM NA	IT	OW	659	E	32.6	-8%	19%	35%	0.4%	40.2	16.7	141%	21%	61%
DEUTSCHE TELEKOM	DTE GR	Telecoms	OW	24	E	120.3	-13%	14%	12%	3.2%	12.6	13.9	-10%	16%	25%
BT GROUP	BT/A LN	Telecoms	OW	141	£	16.7	9%	-	-	5.5%	7.8	8.6	-9%	35%	16%
RELX	REL LN	Industrials	OW	3473	£	77.1	12%	7%	9%	1.7%	27.0	19.5	38%	4%	36%
HELLOFRESH	HFG GR	Staples	N	6	E	1.1	-49%	-69%	166%	0.0%	15.8	18.4	-14%	-7%	-73%
RWE	RWE GR	Utilities	OW	33	E	24.3	30%	-55%	-26%	3.0%	13.7	13.0	5%	2%	-16%
ENEL	ENEL IM	Utilities	OW	7	E	69.1	15%	10%	0%	6.3%	10.1	11.9	-15%	16%	8%
SEGRO	SGRO LN	Real Estate	OW	925	£	14.9	6%	6%	8%	3.0%	25.8	25.4	2%	10%	24%

Source: Datastream, MSCI, IBES, J.P. Morgan, Prices and Valuations as of COB 18th 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 18: DM Equity Fund Flows Summary

	Regional equity fund flows									
	\$mn					% AUM				
	1w	1m	3m	ytd	12m	1w	1m	3m	ytd	12m
Europe ex UK	-531	-1,998	347	-818	-7,172	-0.2%	-0.6%	0.1%	-0.2%	-2.3%
UK	-834	-2,771	-8,727	-15,499	-28,451	-0.3%	-1.0%	-3.2%	-5.6%	-10.4%
US	5,078	32,112	81,090	146,369	272,523	0.0%	0.3%	0.8%	1.5%	3.1%
Japan	-2,105	-4,384	-4,342	7,864	13,959	-0.3%	-0.5%	-0.5%	1.0%	1.9%

Source: EPFR, as of 10th Jul, 2024

Figure 42: DM Equity Fund flows – last month



Source: EPFR, Japan includes BoJ purchases.

Figure 44: Cumulative fund flows into regional funds as a percentage of AUM



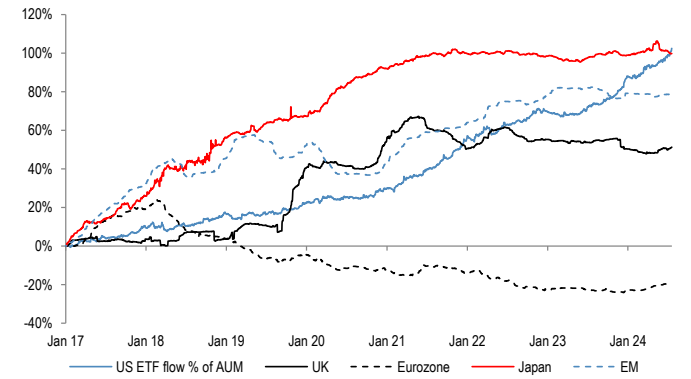
Source: EPFR, as of 10th Jul, 2024. Japan includes Non-ETF purchases only.

Figure 43: DM Equity Fund flows – last 12 months



Source: EPFR, Japan includes BoJ purchases.

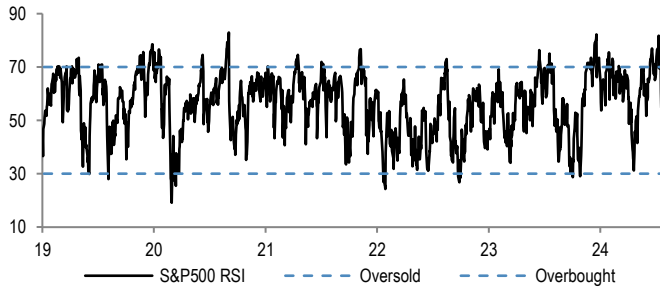
Figure 45: Cumulative fund flows into regional equity ETFs as a percentage of AUM



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.

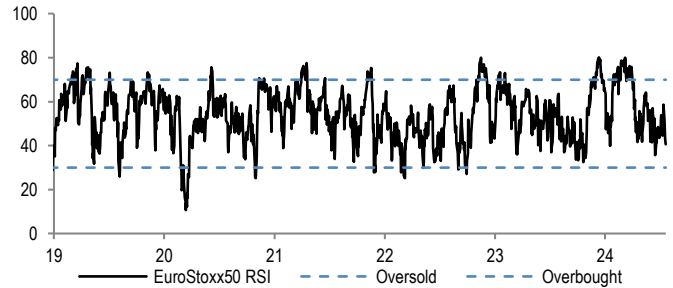
Technical Indicators

Figure 46: S&P500 RSI



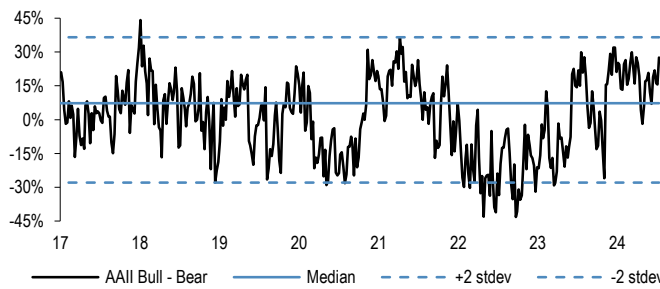
Source: Bloomberg Finance L.P.

Figure 47: EuroStoxx50 RSI



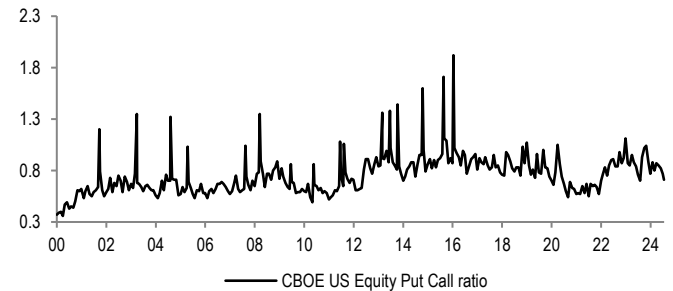
Source: Bloomberg Finance L.P.

Figure 48: AAll Bull-Bear



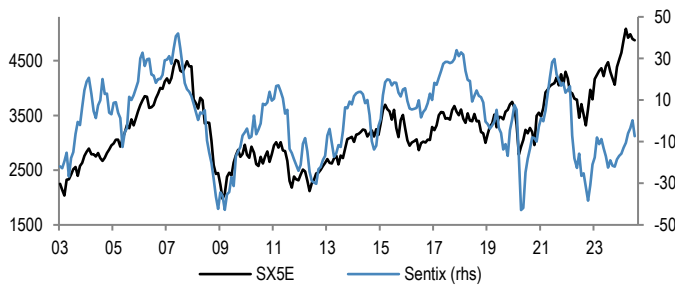
Source: Bloomberg Finance L.P.

Figure 49: Put-call ratio



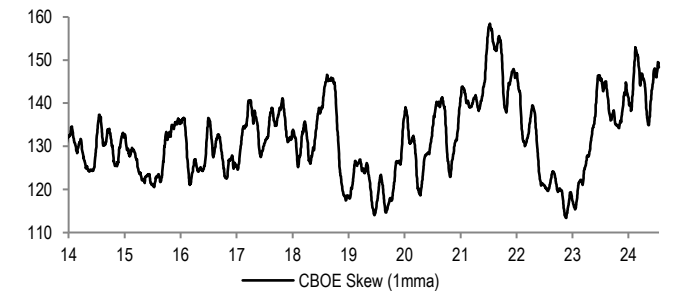
Source: Bloomberg Finance L.P.

Figure 50: Sentix Sentiment Index vs SX5E



Source: Bloomberg Finance L.P.

Figure 51: Equity Skew



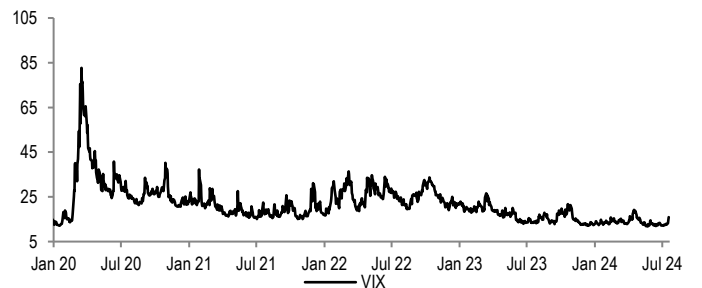
Source: Bloomberg Finance L.P.

Figure 52: Speculative positions in S&P500 futures contracts



Source: Bloomberg Finance L.P.

Figure 53: VIX



Source: Bloomberg Finance L.P.

Performance

Table 19: Sector Index Performances — MSCI Europe

(%change) Industry Group		Local currency		
		4week	12m	YTD
Europe		(0.9)	10.9	7.3
Energy		0.9	13.2	2.6
Materials		(1.5)	8.4	1.5
	Chemicals	(0.1)	7.5	1.3
	Construction Materials	2.8	43.4	22.7
	Metals & Mining	(4.6)	(1.5)	(5.0)
Industrials		(1.4)	17.3	9.0
	Capital Goods	(1.6)	21.1	10.7
	Transport	4.0	(10.9)	(5.3)
	Business Svs	(3.1)	15.8	8.3
Consumer Discretionary		(1.6)	(3.8)	2.3
	Automobile	0.0	(0.6)	1.5
	Consumer Durables	(2.2)	(10.0)	0.3
	Media	(0.3)	21.2	10.4
	Retailing	(3.5)	11.9	13.3
	Hotels, Restaurants & Leisure	(1.1)	(3.1)	0.5
Consumer Staples		(0.4)	(4.4)	(0.5)
	Food & Drug Retailing	4.5	(2.3)	0.8
	Food Beverage & Tobacco	(0.5)	(8.1)	(2.1)
	Household Products	(1.4)	3.1	2.5
Healthcare		(1.4)	14.5	13.0
Financials		1.4	20.5	12.4
	Banks	3.0	23.4	18.1
	Diversified Financials	(0.1)	18.3	5.9
	Insurance	0.1	17.7	9.0
Real Estate		1.6	14.6	(0.3)
Information Technology		(7.5)	21.4	14.8
	Software and Services	0.1	26.2	15.0
	Technology Hardware	(0.2)	16.1	5.7
	Semicon & Semicon Equip	(12.7)	19.6	16.4
Telecommunications Services		2.5	13.1	8.3
Utilities		1.4	0.2	(3.0)

Source: MSCI, Datastream, as at COB 18th Jul, 2024.

Table 20: Country and Region Index Performances

(%change) Country	Index	Local Currency			US\$		
		4week	12m	YTD	4week	12m	YTD
Austria	ATX	1.3	16.1	7.1	3.1	12.8	5.8
Belgium	BEL 20	2.9	8.4	8.0	4.8	5.3	6.7
Denmark	KFX	(8.1)	31.7	16.3	(6.4)	27.7	14.8
Finland	HEX 20	(2.4)	(0.8)	(2.4)	(0.6)	(3.6)	(3.6)
France	CAC 40	(1.1)	3.7	0.6	0.7	0.7	(0.6)
Germany	DAX	0.6	13.8	9.6	2.4	10.6	8.3
Greece	ASE General	2.5	10.8	12.7	4.4	7.6	11.4
Ireland	ISEQ	2.4	10.2	11.5	4.2	7.0	10.2
Italy	FTSE MIB	2.5	20.3	13.8	4.4	16.8	12.4
Japan	Topix	5.2	27.4	21.2	6.6	12.6	9.0
Netherlands	AEX	(1.9)	18.3	16.4	(0.1)	14.9	15.0
Norway	OBX	2.3	15.5	8.4	(0.0)	7.7	2.2
Portugal	BVL GEN	1.2	(1.0)	(5.1)	3.0	(3.8)	(6.2)
Spain	IBEX 35	(0.1)	17.9	10.3	1.7	14.5	9.0
Sweden	OMX	0.9	15.0	8.4	(0.1)	11.2	3.5
Switzerland	SMI	1.0	10.3	10.0	1.7	7.0	4.7
United States	S&P 500	1.3	21.7	16.2	1.3	21.7	16.2
United States	NASDAQ	0.8	24.5	19.1	0.8	24.5	19.1
United Kingdom	FTSE 100	(0.8)	10.1	6.1	1.5	9.2	8.0
EMU	MSCI EMU	(1.0)	9.5	6.6	0.8	6.4	5.3
Europe	MSCI Europe	(0.9)	10.9	7.3	0.6	8.1	5.9
Global	MSCI AC World	1.3	19.3	14.1	1.7	17.7	13.0

Source: MSCI, Datastream, as at COB 18th Jul, 2024.

Earnings

Table 21: IBES Consensus EPS Sector Forecasts — MSCI Europe

	EPS Growth (%yoy)			
	2023	2024E	2025E	2026E
Europe	(3.8)	4.0	10.3	9.2
Energy	(31.6)	(4.9)	3.0	2.7
Materials	(39.3)	7.7	15.1	8.1
Chemicals	(38.9)	22.2	19.3	13.0
Construction Materials	12.2	14.3	9.4	8.3
Metals & Mining	(46.8)	(4.1)	12.1	3.3
Industrials	(0.5)	9.1	13.0	12.2
Capital Goods	20.4	12.1	14.7	12.3
Transport	(55.7)	(10.9)	(0.3)	13.7
Business Svs	3.2	7.6	11.5	10.4
Discretionary	4.9	0.7	11.5	10.5
Automobile	1.9	(7.5)	7.1	7.4
Consumer Durables	(6.1)	1.2	15.2	12.9
Media	1.8	6.3	9.4	8.7
Retailing	40.0	24.1	14.8	12.4
Hotels,Restaurants&Leisure	62.3	39.3	23.2	18.3
Staples	2.3	2.0	8.7	7.6
Food & Drug Retailing	3.7	2.3	10.0	9.4
Food Beverage & Tobacco	1.9	0.4	8.7	7.6
Household Products	2.9	6.5	7.9	6.9
Healthcare	1.1	6.3	14.5	11.1
Financials	15.8	8.0	7.7	8.8
Banks	28.7	3.7	4.3	6.5
Diversified Financials	(19.9)	18.0	22.2	20.0
Insurance	11.4	14.2	8.2	7.5
Real Estate	5.6	2.7	4.2	4.2
IT	14.4	(10.1)	33.4	16.4
Software and Services	18.5	(5.9)	23.8	17.0
Technology Hardware	(19.1)	8.2	7.1	12.0
Semicon & Semicon Equip	28.0	(18.2)	50.6	17.4
Telecoms	(8.5)	9.1	11.4	10.9
Utilities	1.9	0.1	0.2	4.3

Source: IBES, MSCI, Datastream. As at COB 18th Jul, 2024.

Table 22: IBES Consensus EPS Country Forecasts

Country	Index	EPS growth (%change)			
		2023	2024E	2025E	2026E
Austria	ATX	(23.6)	6.3	4.2	5.6
Belgium	BEL 20	16.4	(6.5)	15.1	11.9
Denmark	Denmark KFX	(14.6)	31.7	18.3	16.9
Finland	MSCI Finland	(25.2)	0.8	12.6	10.0
France	CAC 40	(2.3)	0.2	9.6	8.2
Germany	DAX	0.2	0.5	12.8	11.0
Greece	MSCI Greece	15.1	(9.0)	5.3	10.1
Ireland	MSCI Ireland	58.2	1.2	0.6	6.1
Italy	MSCI Italy	8.9	(0.8)	3.8	5.6
Netherlands	AEX	(1.8)	1.9	12.7	9.0
Norway	MSCI Norway	(41.3)	5.3	5.5	1.5
Portugal	MSCI Portugal	16.9	16.5	0.4	8.2
Spain	IBEX 35	8.3	4.8	4.4	6.0
Sweden	OMX	31.8	1.6	8.3	7.3
Switzerland	SMI	(4.5)	11.6	12.7	10.5
United Kingdom	FTSE 100	(10.6)	0.6	9.0	7.6
EMU	MSCI EMU	3.1	3.3	10.6	9.3
Europe ex UK	MSCI Europe ex UK	0.0	5.1	10.9	9.7
Europe	MSCI Europe	(3.8)	4.0	10.3	9.2
United States	S&P 500	2.5	10.3	14.9	12.4
Japan	Topix	18.0	8.4	10.3	8.4
Emerging Market	MSCI EM	(6.6)	22.0	16.1	10.8
Global	MSCI AC World	0.1	9.8	13.6	11.1

Source: IBES, MSCI, Datastream. As at COB 18th Jul, 2024** Japan refers to the period from March in the year stated to March in the following year – EPS post-goodwill

Valuations

Table 23: 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	13.0	12.0	3.4%	3.5%	3.8%	9.0	8.5	7.8	1.9	1.8	1.7
Energy	7.9	7.7	7.5	5.4%	5.3%	5.6%	3.5	3.4	3.3	1.2	1.1	1.0
Materials	16.0	13.9	12.9	3.2%	3.5%	3.7%	7.7	6.8	6.5	1.7	1.6	1.5
Chemicals	24.2	20.3	18.0	2.7%	2.9%	3.0%	11.7	10.6	9.7	2.3	2.2	2.1
Construction Materials	13.5	12.3	11.4	3.4%	3.7%	4.0%	7.0	6.4	5.8	1.4	1.3	1.3
Metals & Mining	10.7	9.5	9.2	3.9%	4.4%	4.7%	5.2	4.3	4.4	1.2	1.2	1.1
Industrials	19.8	17.6	15.7	2.4%	2.6%	2.8%	15.6	14.9	12.8	3.3	3.1	2.8
Capital Goods	19.9	17.3	15.4	2.3%	2.5%	2.8%	11.1	9.7	8.8	3.4	3.2	2.9
Transport	15.9	15.9	14.0	3.2%	3.2%	3.4%	6.6	6.8	6.3	1.8	1.7	1.7
Business Svs	23.0	20.6	18.7	2.3%	2.5%	2.7%	73.7	75.8	60.4	6.4	5.9	5.4
Discretionary	13.2	11.8	10.7	2.9%	3.1%	3.4%	5.2	5.0	4.7	1.8	1.7	1.5
Automobile	6.0	5.6	5.2	5.5%	5.8%	6.2%	1.8	1.6	1.7	0.7	0.6	0.6
Consumer Durables	23.3	20.2	17.9	1.9%	2.2%	2.4%	13.9	12.6	11.3	3.9	3.5	3.2
Media & Entertainment	17.4	15.9	14.6	2.4%	2.5%	2.7%	12.3	9.7	9.2	2.1	2.1	2.0
Retailing	16.3	14.2	12.6	2.4%	2.5%	2.8%	7.1	10.1	7.6	3.6	3.1	2.7
Hotels, Restaurants & Leisure	23.6	19.1	16.2	2.0%	2.5%	2.9%	12.3	10.4	9.5	4.5	4.1	3.7
Staples	17.4	16.0	14.9	3.1%	3.3%	3.5%	10.7	10.0	9.3	2.9	2.7	2.5
Food & Drug Retailing	11.9	10.9	9.9	4.2%	4.4%	4.8%	5.8	5.7	5.4	1.6	1.5	1.5
Food Beverage & Tobacco	16.9	15.5	14.5	3.4%	3.7%	3.9%	10.6	9.8	9.0	2.6	2.4	2.3
Household Products	20.7	19.2	17.9	2.4%	2.5%	2.7%	13.9	12.9	12.0	4.3	3.9	3.6
Healthcare	19.0	16.6	14.9	2.3%	2.5%	2.8%	13.0	11.7	10.2	3.7	3.4	3.0
Financials	9.3	8.7	8.0	5.4%	5.6%	5.9%	-	-	-	1.1	1.1	1.0
Banks	7.4	7.1	6.7	6.9%	6.8%	7.3%	-	-	-	0.8	0.8	0.7
Diversified Financials	15.2	12.4	10.3	2.3%	2.6%	2.9%	-	-	-	1.4	1.6	1.5
Insurance	10.8	10.0	9.3	5.6%	6.0%	6.3%	-	-	-	1.7	1.6	1.5
Real Estate	14.9	14.3	13.7	4.1%	4.3%	4.5%	-	-	-	0.9	0.9	0.8
IT	31.6	23.7	20.3	1.2%	1.3%	1.5%	19.2	15.2	13.2	5.1	4.6	4.1
Software and Services	32.5	26.2	22.4	1.3%	1.4%	1.5%	18.8	16.2	13.9	4.5	4.1	3.7
Technology Hardware	16.6	15.5	13.8	2.4%	2.6%	2.8%	9.1	9.0	7.7	2.0	1.9	1.8
Semicon & Semicon Equip	37.0	24.6	21.0	0.8%	1.0%	1.1%	24.7	16.8	14.5	8.4	7.2	6.0
Communication Services	15.3	13.7	12.4	4.1%	4.2%	4.5%	6.6	6.2	5.8	1.5	1.5	1.4
Utilities	12.5	12.4	11.9	5.0%	5.0%	5.3%	8.0	8.1	8.0	1.6	1.5	1.4

Source: IBES, MSCI, Datastream. As at COB 18th Jul, 2024.

Table 24: 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	8.0	8.2	7.9	7.5	5.8%
Denmark	Denmark KFX	25.2	28.0	23.6	20.2	1.5%
Finland	MSCI Finland	14.5	15.5	13.8	12.6	4.4%
France	CAC 40	12.4	13.1	12.0	11.1	3.5%
Germany	DAX	11.7	12.6	11.2	10.1	3.4%
Greece	MSCI Greece	29.4	30.3	28.8	26.2	1.9%
Ireland	MSCI Ireland	11.0	11.0	10.9	10.3	3.7%
Italy	MSCI Italy	9.2	9.4	9.1	8.6	5.6%
Netherlands	AEX	15.6	16.7	14.8	13.6	2.4%
Norway	MSCI Norway	10.4	10.7	10.2	10.0	6.4%
Portugal	MSCI Portugal	14.8	14.8	14.8	13.7	3.9%
Spain	IBEX 35	10.8	11.1	10.6	10.0	4.8%
Sweden	OMX	14.7	15.5	14.3	13.4	3.8%
Switzerland	SMI	17.1	18.3	16.2	14.7	3.2%
United Kingdom	FTSE 100	11.3	11.9	10.9	10.1	4.0%
EMU	MSCI EMU	12.7	13.6	12.2	11.2	3.5%
Europe ex UK	MSCI Europe ex UK	14.3	15.2	13.7	12.5	3.3%
Europe	MSCI Europe	13.6	14.4	13.0	12.0	3.5%
United States	S&P 500	21.2	23.2	20.2	18.0	1.4%
Japan	Topix	15.1	15.6	14.2	13.1	2.3%
Emerging Market	MSCI EM	12.4	13.5	11.6	10.5	2.9%
Global	MSCI AC World	18.0	19.5	17.1	15.4	2.0%

Source: IBES, MSCI, Datastream. As at COB 18th 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 25: Economic Outlook in Summary

	Real GDP			Real GDP						Consumer prices			
	% oya			% over previous period, saar						% oya			
	2023E	2024E	2025E	4Q23	1Q24	2Q24E	3Q24E	4Q24E	1Q25E	1Q24	3Q24E	1Q25E	3Q25E
United States	2.5	2.3	1.7	3.4	1.4	2.0	1.0	1.0	2.0	3.2	2.9	2.5	2.4
Eurozone	0.6	0.8	1.1	-0.2	1.3	1.5	1.5	1.0	1.0	2.6	2.3	2.2	1.8
United Kingdom	0.1	1.0	0.8	-1.2	2.9	2.0	1.0	1.0	0.8	3.5	2.1	2.8	3.1
Japan	1.8	-0.1	0.7	0.4	-1.8	1.5	1.0	0.8	0.6	2.5	2.8	3.5	2.5
Emerging markets	4.2	4.0	3.6	4.1	6.1	1.8	3.3	3.8	3.4	3.7	3.4	3.2	3.0
Global	2.8	2.5	2.3	2.7	3.2	1.8	2.1	2.2	2.3	3.3	2.9	2.8	2.6

Source: J.P. Morgan economic research J.P. Morgan estimates, as of COB 12th Jul, 2024

Table 26: Official Rates Outlook

	Official interest rate	Current	Last change (bp)	Forecast next change (bp)	Forecast for			
					Sep 24	Dec 24	Mar 25	Jun 25
					United States	Federal funds rate	5.50	26 Jul 23 (+25bp)
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 12th Jul, 2024

Table 27: 10-Year Government Bond Yield Forecasts

10 Yr Govt BY	19-Jul-24	Forecast for end of			
		Sep 24	Dec 24	Mar 25	Jun 25
US	4.21	4.20	4.15	4.05	3.90
Euro Area	2.45	2.40	2.20	2.10	2.00
United Kingdom	4.10	4.10	3.95	3.85	3.75
Japan	1.04	1.20	1.45	1.45	1.60

Source: J.P. Morgan estimates, Datastream, forecasts as of COB 12th Jul, 2024

Table 28: Exchange Rate Forecasts vs. US Dollar

Exchange rates vs US\$	18-Jul-24	Forecast for end of			
		Oct 24	Jan 25	Apr 25	Jul 25
EUR	1.09	1.05	1.09	1.12	1.12
GBP	1.30	1.25	1.31	1.35	1.35
CHF	0.89	0.94	0.92	0.89	0.89
JPY	157	157	156	155	154
DXY	104.2	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 29: 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
				UW
				N
				N
Industrials	15.8%	14.0%	-1.8%	N
				UW
				OW
				N
				N
Consumer Discretionary	9.1%	7.0%	-2.1%	UW
				UW
				N
				UW
				UW
				UW
Consumer Staples	11.7%	13.0%	1.3%	OW
				UW
				OW
				OW
				OW
Healthcare	16.0%	18.0%	2.0%	OW
Financials	18.1%	14.0%	-4.1%	UW
				UW
				N
Real Estate	0.9%	2.0%	1.1%	OW
Information Technology	7.1%	7.0%	-0.1%	N
				N
				N
Communication Services	4.5%	5.0%	0.5%	OW
				OW
				N
Utilities	4.4%	6.0%	1.6%	OW
				N
				OW
				Balanced
	100.0%	100.0%	0.0%	

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

Table 30: 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 31: 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 32: 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

Anamil Kochar (anamil.kochar@jpmchase.com) of J.P. Morgan India Private Limited is a co-author of this report.

Analyst Certification: The Research Analyst(s) denoted by an “AC” on the cover of this report certifies (or, where multiple Research Analysts are primarily responsible for this report, the Research Analyst denoted by an “AC” on the cover or within the document individually certifies, with respect to each security or issuer that the Research Analyst covers in this research) that: (1) all of the views expressed in this report accurately reflect the Research Analyst’s personal views about any and all of the subject securities or issuers; and (2) no part of any of the Research Analyst’s compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the Research Analyst(s) in this report. For all Korea-based Research Analysts listed on the front cover, if applicable, they also certify, as per KOFIA requirements, that the Research Analyst’s analysis was made in good faith and that the views reflect the Research Analyst’s own opinion, without undue influence or intervention.

All authors named within this report are Research Analysts who produce independent research unless otherwise specified. In Europe, Sector Specialists (Sales and Trading) may be shown on this report as contacts but are not authors of the report or part of the Research Department.

Important Disclosures

Company-Specific Disclosures: Important disclosures, including price charts and credit opinion history tables, are available for compendium reports and all J.P. Morgan–covered companies, and certain non-covered companies, by visiting <https://www.jpmm.com/research/disclosures>, calling 1-800-477-0406, or e-mailing research.disclosure.inquiries@jpmorgan.com with your request.

Explanation of Equity Research Ratings, Designations and Analyst(s) Coverage Universe:

J.P. Morgan uses the following rating system: Overweight (over the duration of the price target indicated in this report, we expect this stock will outperform the average total return of the stocks in the Research Analyst’s, or the Research Analyst’s team’s, coverage universe); Neutral (over the duration of the price target indicated in this report, we expect this stock will perform in line with the average total return of the stocks in the Research Analyst’s, or the Research Analyst’s team’s, coverage universe); and Underweight (over the duration of the price target indicated in this report, we expect this stock will underperform the average total return of the stocks in the Research Analyst’s, or the Research Analyst’s team’s, coverage universe. NR is Not Rated. In this case, J.P. Morgan has removed the rating and, if applicable, the price target, for this stock because of either a lack of a sufficient fundamental basis or for legal, regulatory or policy reasons. The previous rating and, if applicable, the price target, no longer should be relied upon. An NR designation is not a recommendation or a rating. In our Asia (ex-Australia and ex-India) and U.K. small- and mid-cap Equity Research, each stock’s expected total return is compared to the expected total return of a benchmark country market index, not to those Research Analysts’ coverage universe. If it does not appear in the Important Disclosures section of this report, the certifying Research Analyst’s coverage universe can be found on J.P. Morgan’s Research website, <https://www.jpmorganmarkets.com>.

J.P. Morgan Equity Research Ratings Distribution, as of July 06, 2024

	Overweight (buy)	Neutral (hold)	Underweight (sell)
J.P. Morgan Global Equity Research Coverage*	49%	38%	13%
IB clients**	49%	46%	34%
JPMS Equity Research Coverage*	48%	41%	11%
IB clients**	69%	66%	50%

*Please note that the percentages may not add to 100% because of rounding.

**Percentage of subject companies within each of the "buy," "hold" and "sell" categories for which J.P. Morgan has provided investment banking services within the previous 12 months.

For purposes of FINRA ratings distribution rules only, our Overweight rating falls into a buy rating category; our Neutral rating falls into a hold rating category; and our Underweight rating falls into a sell rating category. Please note that stocks with an NR designation are not included in the table above. This information is current as of the end of the most recent calendar quarter.

Equity Valuation and Risks: For valuation methodology and risks associated with covered companies or price targets for covered companies, please see the most recent company-specific research report at <http://www.jpmorganmarkets.com>, contact the primary analyst or your J.P. Morgan representative, or email research.disclosure.inquiries@jpmorgan.com. For material information about the proprietary models used, please see the Summary of Financials in company-specific research reports and the Company Tearsheets, which are available to download on the company pages of our client website, <http://www.jpmorganmarkets.com>. This report also sets out within it the material underlying assumptions used.

A history of J.P. Morgan investment recommendations disseminated during the preceding 12 months can be accessed on the Research & Commentary page of <http://www.jpmorganmarkets.com> where you can also search by analyst name, sector or financial instrument.

Analysts' Compensation: The research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues.

Registration of non-US Analysts: Unless otherwise noted, the non-US analysts listed on the front of this report are employees of non-US affiliates of J.P. Morgan Securities LLC, may not be registered as research analysts under FINRA rules, may not be associated persons of J.P. Morgan Securities LLC, and may not be subject to FINRA Rule 2241 or 2242 restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

Other Disclosures

J.P. Morgan is a marketing name for investment banking businesses of JPMorgan Chase & Co. and its subsidiaries and affiliates worldwide.

UK MIFID FICC research unbundling exemption: UK clients should refer to [UK MIFID Research Unbundling exemption](#) for details of J.P. Morgan's implementation of the FICC research exemption and guidance on relevant FICC research categorisation.

All research material made available to clients are simultaneously available on our client website, J.P. Morgan Markets, unless specifically permitted by relevant laws. Not all research content is redistributed, e-mailed or made available to third-party aggregators. For all research material available on a particular stock, please contact your sales representative.

Any long form nomenclature for references to China; Hong Kong; Taiwan; and Macau within this research material are Mainland China; Hong Kong SAR (China); Taiwan (China); and Macau SAR (China).

J.P. Morgan Research may, from time to time, write on issuers or securities targeted by economic or financial sanctions imposed or administered by the governmental authorities of the U.S., EU, UK or other relevant jurisdictions (Sanctioned Securities). Nothing in this report is intended to be read or construed as encouraging, facilitating, promoting or otherwise approving investment or dealing in such Sanctioned Securities. Clients should be aware of their own legal and compliance obligations when making investment decisions.

Any digital or crypto assets discussed in this research report are subject to a rapidly changing regulatory landscape. For relevant regulatory advisories on crypto assets, including bitcoin and ether, please see <https://www.jpmorgan.com/disclosures/cryptoasset-disclosure>.

The author(s) of this research report may not be licensed to carry on regulated activities in your jurisdiction and, if not licensed, do not hold themselves out as being able to do so.

Exchange-Traded Funds (ETFs): J.P. Morgan Securities LLC ("JPMS") acts as authorized participant for substantially all U.S.-listed ETFs. To the extent that any ETFs are mentioned in this report, JPMS may earn commissions and transaction-based compensation in connection with the distribution of those ETF shares and may earn fees for performing other trade-related services, such as securities lending to short sellers of the ETF shares. JPMS may also perform services for the ETFs themselves, including acting as a broker or dealer to the ETFs. In addition, affiliates of JPMS may perform services for the ETFs, including trust, custodial, administration, lending, index calculation and/or maintenance and other services.

Options and Futures related research: If the information contained herein regards options- or futures-related research, such information is available only to persons who have received the proper options or futures risk disclosure documents. Please contact your J.P. Morgan Representative or visit <https://www.theocc.com/components/docs/riskstoc.pdf> for a copy of the Option Clearing Corporation's Characteristics and Risks of Standardized Options or http://www.finra.org/sites/default/files/Security_Futures_Risk_Disclosure_Statement_2018.pdf for a copy of the Security Futures Risk Disclosure Statement.

Changes to Interbank Offered Rates (IBORs) and other benchmark rates: Certain interest rate benchmarks are, or may in the future become, subject to ongoing international, national and other regulatory guidance, reform and proposals for reform. For more information, please consult: https://www.jpmorgan.com/global/disclosures/interbank_offered_rates

Private Bank Clients: Where you are receiving research as a client of the private banking businesses offered by JPMorgan Chase & Co. and its subsidiaries ("J.P. Morgan Private Bank"), research is provided to you by J.P. Morgan Private Bank and not by any other division of J.P. Morgan, including, but not limited to, the J.P. Morgan Corporate and Investment Bank and its Global Research division.

Legal entity responsible for the production and distribution of research: The legal entity identified below the name of the Reg AC Research Analyst who authored this material is the legal entity responsible for the production of this research. Where multiple Reg AC Research Analysts authored this material with different legal entities identified below their names, these legal entities are jointly responsible for the production of this research. Research Analysts from various J.P. Morgan affiliates may have contributed to the production of this material but may not be licensed to carry out regulated activities in your jurisdiction (and do not hold themselves out as being able to do so). Unless otherwise stated below, this material has been distributed by the legal entity responsible for production. If you have any queries, please contact the relevant Research Analyst in your jurisdiction or the entity in your jurisdiction that has distributed this research material.

Legal Entities Disclosures and Country-/Region-Specific Disclosures:

Argentina: JPMorgan Chase Bank N.A Sucursal Buenos Aires is regulated by Banco Central de la República Argentina ("BCRA"- Central Bank of Argentina) and Comisión Nacional de Valores ("CNV"- Argentinian Securities Commission - ALYC y AN Integral N°51). **Australia:** J.P. Morgan Securities Australia Limited ("JPMSAL") (ABN 61 003 245 234/AFS Licence No: 238066) is regulated by the Australian Securities and Investments Commission and is a Market Participant of ASX Limited, a Clearing and Settlement Participant of ASX Clear Pty Limited and a Clearing Participant of ASX Clear (Futures) Pty Limited. This material is issued and distributed in Australia by or on behalf of JPMSAL only to "wholesale clients" (as defined in section 761G of the Corporations Act 2001). A list of all financial products covered can be found by visiting <https://www.jpmm.com/research/disclosures>. J.P. Morgan seeks to cover companies of relevance to the domestic and international investor base across all Global Industry Classification Standard (GICS) sectors, as well as across a range of market capitalisation sizes. If applicable, in the course of conducting public side due diligence on the subject company(ies), the Research Analyst team may at times perform such diligence through corporate engagements such as site visits, discussions with company representatives, management presentations,

etc. Research issued by JPMSAL has been prepared in accordance with J.P. Morgan Australia's Research Independence Policy which can be found at the following link: [J.P. Morgan Australia - Research Independence Policy](#). **Brazil:** Banco J.P. Morgan S.A. is regulated by the Comissao de Valores Mobiliarios (CVM) and by the Central Bank of Brazil. Ombudsman J.P. Morgan: 0800-7700847 / 0800-7700810 (For Hearing Impaired) / ouvidoria.jp.morgan@jpmorgan.com. **Canada:** J.P. Morgan Securities Canada Inc. is a registered investment dealer, regulated by the Canadian Investment Regulatory Organization and the Ontario Securities Commission and is the participating member on Canadian exchanges. This material is distributed in Canada by or on behalf of J.P.Morgan Securities Canada Inc. **Chile:** Inversiones J.P. Morgan Limitada is an unregulated entity incorporated in Chile. **China:** J.P. Morgan Securities (China) Company Limited has been approved by CSRC to conduct the securities investment consultancy business. **Dubai International Financial Centre (DIFC):** JPMorgan Chase Bank, N.A., Dubai Branch is regulated by the Dubai Financial Services Authority (DFSA) and its registered address is Dubai International Financial Centre - The Gate, West Wing, Level 3 and 9 PO Box 506551, Dubai, UAE. This material has been distributed by JP Morgan Chase Bank, N.A., Dubai Branch to persons regarded as professional clients or market counterparties as defined under the DFSA rules. **European Economic Area (EEA):** Unless specified to the contrary, research is distributed in the EEA by J.P. Morgan SE ("JPM SE"), which is authorised as a credit institution by the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) and jointly supervised by the BaFin, the German Central Bank (Deutsche Bundesbank) and the European Central Bank (ECB). JPM SE is a company headquartered in Frankfurt with registered address at TaunusTurm, Taunustor 1, Frankfurt am Main, 60310, Germany. The material has been distributed in the EEA to persons regarded as professional investors (or equivalent) pursuant to Art. 4 para. 1 no. 10 and Annex II of MiFID II and its respective implementation in their home jurisdictions ("EEA professional investors"). This material must not be acted on or relied on by persons who are not EEA professional investors. Any investment or investment activity to which this material relates is only available to EEA relevant persons and will be engaged in only with EEA relevant persons. **Hong Kong:** J.P. Morgan Securities (Asia Pacific) Limited (CE number AAJ321) is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission in Hong Kong, and J.P. Morgan Broking (Hong Kong) Limited (CE number AAB027) is regulated by the Securities and Futures Commission in Hong Kong. JP Morgan Chase Bank, N.A., Hong Kong Branch (CE Number AAL996) is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission, is organized under the laws of the United States with limited liability. Where the distribution of this material is a regulated activity in Hong Kong, the material is distributed in Hong Kong by or through J.P. Morgan Securities (Asia Pacific) Limited and/or J.P. Morgan Broking (Hong Kong) Limited. **India:** J.P. Morgan India Private Limited (Corporate Identity Number - U67120MH1992FTC068724), having its registered office at J.P. Morgan Tower, Off. C.S.T. Road, Kalina, Santacruz - East, Mumbai - 400098, is registered with the Securities and Exchange Board of India (SEBI) as a 'Research Analyst' having registration number INH000001873. J.P. Morgan India Private Limited is also registered with SEBI as a member of the National Stock Exchange of India Limited and the Bombay Stock Exchange Limited (SEBI Registration Number - INZ000239730) and as a Merchant Banker (SEBI Registration Number - MB/INM000002970). Telephone: 91-22-6157 3000, Facsimile: 91-22-6157 3990 and Website: <http://www.jpmipl.com>. JPMorgan Chase Bank, N.A. - Mumbai Branch is licensed by the Reserve Bank of India (RBI) (Licence No. 53/ Licence No. BY.4/94; SEBI - IN/CUS/014/ CDSL : IN-DP-CDSL-444-2008/ IN-DP-NSDL-285-2008/ INBI00000984/ INE231311239) as a Scheduled Commercial Bank in India, which is its primary license allowing it to carry on Banking business in India and other activities, which a Bank branch in India are permitted to undertake. For non-local research material, this material is not distributed in India by J.P. Morgan India Private Limited. Compliance Officer: Spurthi Gadamsetty; spurthi.gadamsetty@jpmchase.com; +912261573225. Grievance Officer: Ramprasadh K, jpmipl.research.feedback@jpmorgan.com; +912261573000.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing. Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Indonesia: PT J.P. Morgan Sekuritas Indonesia is a member of the Indonesia Stock Exchange and is registered and supervised by the Otoritas Jasa Keuangan (OJK). **Korea:** J.P. Morgan Securities (Far East) Limited, Seoul Branch, is a member of the Korea Exchange (KRX). JPMorgan Chase Bank, N.A., Seoul Branch, is licensed as a branch office of foreign bank (JPMorgan Chase Bank, N.A.) in Korea. Both entities are regulated by the Financial Services Commission (FSC) and the Financial Supervisory Service (FSS). For non-macro research material, the material is distributed in Korea by or through J.P. Morgan Securities (Far East) Limited, Seoul Branch. **Japan:** JPMorgan Securities Japan Co., Ltd. and JPMorgan Chase Bank, N.A., Tokyo Branch are regulated by the Financial Services Agency in Japan. **Malaysia:** This material is issued and distributed in Malaysia by JPMorgan Securities (Malaysia) Sdn Bhd (18146-X), which is a Participating Organization of Bursa Malaysia Berhad and holds a Capital Markets Services License issued by the Securities Commission in Malaysia. **Mexico:** J.P. Morgan Casa de Bolsa, S.A. de C.V. and J.P. Morgan Grupo Financiero are members of the Mexican Stock Exchange and are authorized to act as a broker dealer by the National Banking and Securities Exchange Commission. **New Zealand:** This material is issued and distributed by JPMSAL in New Zealand only to "wholesale clients" (as defined in the Financial Markets Conduct Act 2013). JPMSAL is registered as a Financial Service Provider under the Financial Service providers (Registration and Dispute Resolution) Act of 2008. **Philippines:** J.P. Morgan Securities Philippines Inc. is a Trading Participant of the Philippine Stock Exchange and a member of the Securities Clearing Corporation of the Philippines and the Securities Investor Protection Fund. It is regulated by the Securities and Exchange Commission. **Singapore:** This material is issued and distributed in Singapore by or through J.P. Morgan Securities Singapore Private Limited (JPMSS) [MCI (P) 030/08/2023 and Co. Reg. No.: 199405335R], which is a member of the Singapore Exchange Securities Trading Limited, and/or JPMorgan Chase Bank, N.A., Singapore branch (JPMCB Singapore), both of which are regulated by the Monetary Authority of Singapore. This material is issued and distributed in Singapore only to accredited investors, expert investors and institutional investors, as defined in Section 4A of the Securities and Futures Act, Cap. 289 (SFA). This material is not intended to be issued or distributed to any retail investors or any other investors that do not fall into the classes of "accredited investors," "expert investors" or "institutional investors," as defined under Section 4A of the SFA. Recipients of this material in Singapore are to contact JPMSS or JPMCB Singapore in respect of any matters arising from, or in connection with, the material. **South Africa:** J.P. Morgan Equities South Africa Proprietary Limited and JPMorgan Chase Bank, N.A., Johannesburg Branch are members of the Johannesburg Securities Exchange and are regulated by the Financial Services Conduct Authority (FSCA). **Taiwan:** J.P. Morgan Securities

(Taiwan) Limited is a participant of the Taiwan Stock Exchange (company-type) and regulated by the Taiwan Securities and Futures Bureau. Material relating to equity securities is issued and distributed in Taiwan by J.P. Morgan Securities (Taiwan) Limited, subject to the license scope and the applicable laws and the regulations in Taiwan. According to Paragraph 2, Article 7-1 of Operational Regulations Governing Securities Firms Recommending Trades in Securities to Customers (as amended or supplemented) and/or other applicable laws or regulations, please note that the recipient of this material is not permitted to engage in any activities in connection with the material that may give rise to conflicts of interests, unless otherwise disclosed in the "Important Disclosures" in this material. **Thailand:** This material is issued and distributed in Thailand by JPMorgan Securities (Thailand) Ltd., which is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission, and its registered address is 3rd Floor, 20 North Sathorn Road, Silom, Bangrak, Bangkok 10500. **UK:** Unless specified to the contrary, research is distributed in the UK by J.P. Morgan Securities plc ("JPMS plc") which is a member of the London Stock Exchange and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. JPMS plc is registered in England & Wales No. 2711006, Registered Office 25 Bank Street, London, E14 5JP. This material is directed in the UK only to: (a) persons having professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) (Order) 2005 ("the FPO"); (b) persons outlined in article 49 of the FPO (high net worth companies, unincorporated associations or partnerships, the trustees of high value trusts, etc.); or (c) any persons to whom this communication may otherwise lawfully be made; all such persons being referred to as "UK relevant persons". This material must not be acted on or relied on by persons who are not UK relevant persons. Any investment or investment activity to which this material relates is only available to UK relevant persons and will be engaged in only with UK relevant persons. Research issued by JPMS plc has been prepared in accordance with JPMS plc's policy for prevention and avoidance of conflicts of interest related to the production of Research which can be found at the following link: [J.P. Morgan EMEA - Research Independence Policy](#). U.S.: J.P. Morgan Securities LLC ("JPMS") is a member of the NYSE, FINRA, SIPC, and the NFA. JPMorgan Chase Bank, N.A. is a member of the FDIC. Material published by non-U.S. affiliates is distributed in the U.S. by JPMS who accepts responsibility for its content.

General: Additional information is available upon request. The information in this material has been obtained from sources believed to be reliable. While all reasonable care has been taken to ensure that the facts stated in this material are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable, JPMorgan Chase & Co. or its affiliates and/or subsidiaries (collectively J.P. Morgan) make no representations or warranties whatsoever to the completeness or accuracy of the material provided, except with respect to any disclosures relative to J.P. Morgan and the Research Analyst's involvement with the issuer that is the subject of the material. Accordingly, no reliance should be placed on the accuracy, fairness or completeness of the information contained in this material. There may be certain discrepancies with data and/or limited content in this material as a result of calculations, adjustments, translations to different languages, and/or local regulatory restrictions, as applicable. These discrepancies should not impact the overall investment analysis, views and/or recommendations of the subject company(ies) that may be discussed in the material. J.P. Morgan accepts no liability whatsoever for any loss arising from any use of this material or its contents, and neither J.P. Morgan nor any of its respective directors, officers or employees, shall be in any way responsible for the contents hereof, apart from the liabilities and responsibilities that may be imposed on them by the relevant regulatory authority in the jurisdiction in question, or the regulatory regime thereunder. Opinions, forecasts or projections contained in this material represent J.P. Morgan's current opinions or judgment as of the date of the material only and are therefore subject to change without notice. Periodic updates may be provided on companies/industries based on company-specific developments or announcements, market conditions or any other publicly available information. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or projections, which represent only one possible outcome. Furthermore, such opinions, forecasts or projections are subject to certain risks, uncertainties and assumptions that have not been verified, and future actual results or events could differ materially. The value of, or income from, any investments referred to in this material may fluctuate and/or be affected by changes in exchange rates. All pricing is indicative as of the close of market for the securities discussed, unless otherwise stated. Past performance is not indicative of future results. Accordingly, investors may receive back less than originally invested. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. This material may include views on structured securities, options, futures and other derivatives. These are complex instruments, may involve a high degree of risk and may be appropriate investments only for sophisticated investors who are capable of understanding and assuming the risks involved. The recipients of this material must make their own independent decisions regarding any securities or financial instruments mentioned herein and should seek advice from such independent financial, legal, tax or other adviser as they deem necessary. J.P. Morgan may trade as a principal on the basis of the Research Analysts' views and research, and it may also engage in transactions for its own account or for its clients' accounts in a manner inconsistent with the views taken in this material, and J.P. Morgan is under no obligation to ensure that such other communication is brought to the attention of any recipient of this material. Others within J.P. Morgan, including Strategists, Sales staff and other Research Analysts, may take views that are inconsistent with those taken in this material. Employees of J.P. Morgan not involved in the preparation of this material may have investments in the securities (or derivatives of such securities) mentioned in this material and may trade them in ways different from those discussed in this material. This material is not an advertisement for or marketing of any issuer, its products or services, or its securities in any jurisdiction.

Confidentiality and Security Notice: This transmission may contain information that is privileged, confidential, legally privileged, and/or exempt from disclosure under applicable law. If you are not the intended recipient, you are hereby notified that any disclosure, copying, distribution, or use of the information contained herein (including any reliance thereon) is STRICTLY PROHIBITED. Although this transmission and any attachments are believed to be free of any virus or other defect that might affect any computer system into which it is received and opened, it is the responsibility of the recipient to ensure that it is virus free and no responsibility is accepted by JPMorgan Chase & Co., its subsidiaries and affiliates, as applicable, for any loss or damage arising in any way from its use. If you received this transmission in error, please immediately contact the sender and destroy the material in its entirety, whether in electronic or hard copy format. This message is

subject to electronic monitoring: <https://www.jpmorgan.com/disclosures/email>

MSCI: Certain information herein (“Information”) is reproduced by permission of MSCI Inc., its affiliates and information providers (“MSCI”) ©2024. No reproduction or dissemination of the Information is permitted without an appropriate license. MSCI MAKES NO EXPRESS OR IMPLIED WARRANTIES (INCLUDING MERCHANTABILITY OR FITNESS) AS TO THE INFORMATION AND DISCLAIMS ALL LIABILITY TO THE EXTENT PERMITTED BY LAW. No Information constitutes investment advice, except for any applicable Information from MSCI ESG Research. Subject also to [msci.com/disclaimer](https://www.msci.com/disclaimer)

Sustainalytics: Certain information, data, analyses and opinions contained herein are reproduced by permission of Sustainalytics and: (1) includes the proprietary information of Sustainalytics; (2) may not be copied or redistributed except as specifically authorized; (3) do not constitute investment advice nor an endorsement of any product or project; (4) are provided solely for informational purposes; and (5) are not warranted to be complete, accurate or timely. Sustainalytics is not responsible for any trading decisions, damages or other losses related to it or its use. The use of the data is subject to conditions available at <https://www.sustainalytics.com/legal-disclaimers>. ©2024 Sustainalytics. All Rights Reserved.

"Other Disclosures" last revised July 06, 2024.

Copyright 2024 JPMorgan Chase & Co. All rights reserved. This material or any portion hereof may not be reprinted, sold or redistributed without the written consent of J.P. Morgan. It is strictly prohibited to use or share without prior written consent from J.P. Morgan any research material received from J.P. Morgan or an authorized third-party (“J.P. Morgan Data”) in any third-party artificial intelligence (“AI”) systems or models when such J.P. Morgan Data is accessible by a third-party. It is permissible to use J.P. Morgan Data for internal business purposes only in an AI system or model that protects the confidentiality of J.P. Morgan Data so as to prevent any and all access to or use of such J.P. Morgan Data by any third-party.

Completed 22 Jul 2024 01:40 AM BST

Disseminated 22 Jul 2024 03:00 AM BST