

Equity Strategy

USD, bond yields, oil and concentration all showing elevated risks remains a problematic backdrop

- The multiple expansion seen in past months, extremely low volatility metrics up to recently, tightest credit spreads since 2007, and the general inability by market participants earlier in the year to identify any potential negative catalysts for stocks are starting to shift.
- We remain concerned about continued [complacency](#) in equity valuations, inflation staying too [hot](#), further Fed repricing, rates moving higher for the “wrong reasons”, about profit outlook where the implied [acceleration](#) this year might end up too optimistic, high market concentration, as well as about the potential further escalation in geopolitical uncertainty.
- USD advanced ytd, and that was historically a challenge for equities, with the two exhibiting a clear inverse correlation - see top chart. **The gap that opened up so far this year**, where equities rallied despite stronger USD, **might end up closing**.
- This is in addition to Fed futures vs equities gap that we have been [highlighting](#) in past weeks. Last October, when S&P500 was at 4200, Fed was priced to cut rates 70-80bp this year. At the point of peak dovishness in January, this moved to as much as 180bp of cuts for 2024. Today’s market pricing of only 40bp of cuts is below the starting point of last October. Our view remains that **bond yields going higher from current levels will not be taken well by the equity market**, similar to what transpired last summer when S&P500 had a 10% drawdown. The P/Es vs real yields gap is already meaningful - middle chart.
- Oil stabilized last week, but it is still up 15% ytd, and gasoline prices are increasing. While earlier in the year one could have ascribed energy appreciation to activity improvement, the most recent moves are mostly supply driven, and pricing in the increased geopolitical risk premia. This comes at a bad time, when the Fed’s declared victory over inflation, the call that Jan-Feb CPI move back up is transitory, could end up questioned. **US Supercore CPI 3 month run rate is at 8%**, nearing 2022 highs.
- **Market concentration has been very high, and positioning extended**, which are typically red flags, at risk of a reversal. Broadly, the combination of macro factors outlined above, **any move higher in USD, yields or in Brent, together with continued elevated geopolitical uncertainty**, increases the downside risks, and suggests that **more Defensive trading should be appropriate**.
- We held a long-standing OW on Growth vs Value, OW Quality, and preference for Large Caps, alongside regional trades of OW US vs Europe and EM, even as we have this year tactically closed our bearish China call, and have in Q1 [closed](#) our US vs Eurozone preference. We stay with Quality, but Growth remains at risk of a reversal, and large caps are outperforming small everywhere again ytd. We argued recently that **Defensives** such as **Utilities** are likely to pick up even in the event of rising bond yields, as this might lead to lower beta trading. **Healthcare** tended to benefit from stronger USD. Some of the reduced beta has been in motion of late, alongside OW on **Energy**.

Equity Strategy

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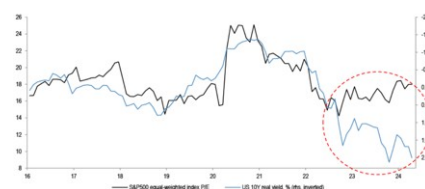
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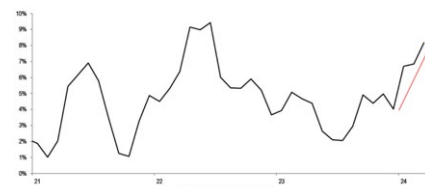
The ytd move higher in USD is consistent with weaker equity markets...



...bond yields rising from current levels should not be taken well by stocks... the P/Es vs real yields gap is already wide...



...oil price is up 15% ytd, and could pressure inflation expectations higher... US supercore CPI run rate is at 8%, approaching 2022 highs



Source: Datastream, Bloomberg Finance L.P.

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

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USD, bond yields and oil all moving higher remains a problematic combination

The Goldilocks narrative that the market embraced at the start of the year might get challenged...

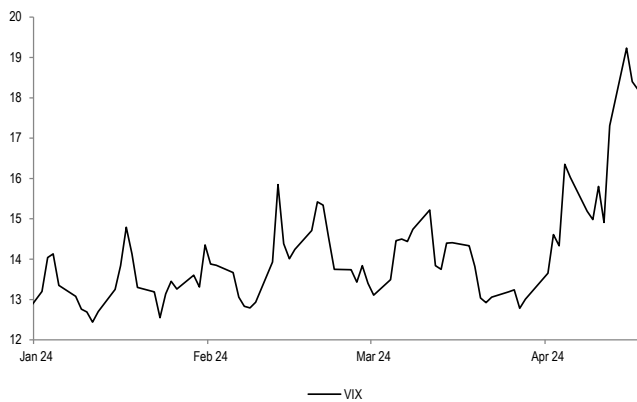
Table 1: Key regions - Current vs Oct '23 P/E and change in EPS

Key regions	Current PE	Oct'23 PE	% change	% change in 12m Fwd EPS
Eurozone	12.8	10.9	17%	3%
US	20.3	17.5	16%	5%
World	17.7	15.3	16%	4%
Europe	13.2	11.5	15%	2%
UK	11.2	9.9	14%	-5%
Japan	15.1	13.9	9%	10%
EM	11.8	11.1	6%	4%
China	9.1	9.5	-4%	0%

Source: IBES

Equities enjoyed a dramatic multiple expansion since October of last year, driven by pivot hopes.

Figure 1: VIX



Source: Bloomberg Finance L.P.

Until very recently, volatility was near record lows.

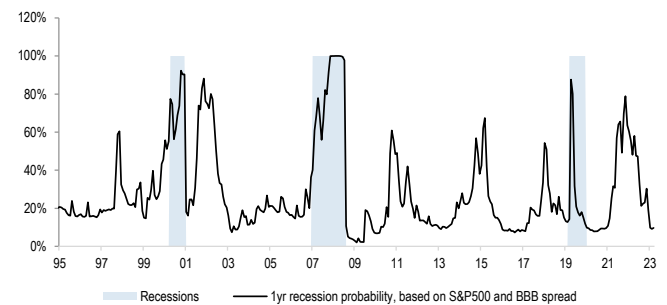
Figure 2: Gap between spread on US bonds rated B and BBB



Source: Bloomberg Finance L.P.

The spread between BBB and B bonds was close to the lowest levels since 2007, also indicating optimistic investor sentiment.

Figure 3: Recession probability indicator

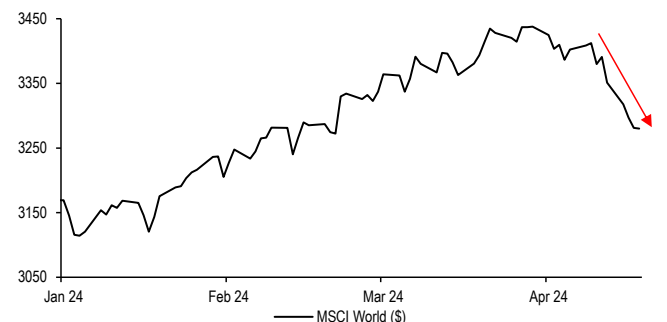


Source: J.P. Morgan.

Similarly, our recession probability indicator showed that the market isn't pricing in any meaningful risk of a downturn over the next year anymore.

...we worry about the complacency in equity markets

Figure 4: MSCI World ytd



Source: Bloomberg Finance L.P.

The positive market picture is starting to change. A combination of high inflation prints in the US and the rise in geopolitical tensions is contributing to this.

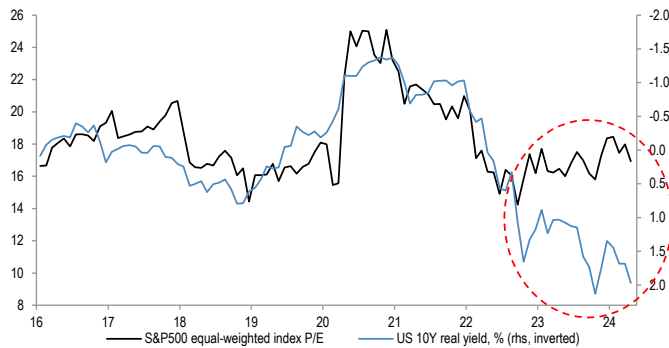
Figure 5: MSCI World 12m Fwd earnings yield minus Global Govt. bond index yield



Source: Datastream

Equities were stretched vs fixed income, with EY-BY gap the least attractive since 2007.

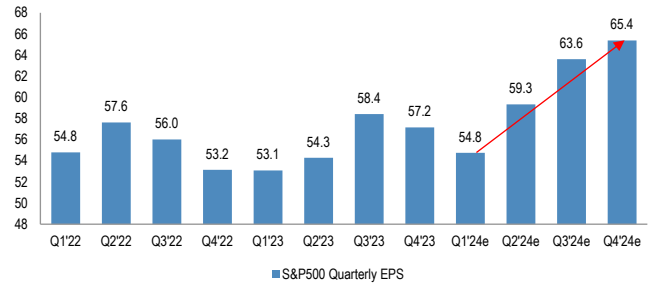
Figure 6: SPW 12m Fwd P/E and US 10Y real yield



Source: Bloomberg Finance L.P.

If bond yields move further up, that would not be positive for equities, especially given the already stretched valuation starting point.

Figure 7: S&P500 Quarterly EPS expectations

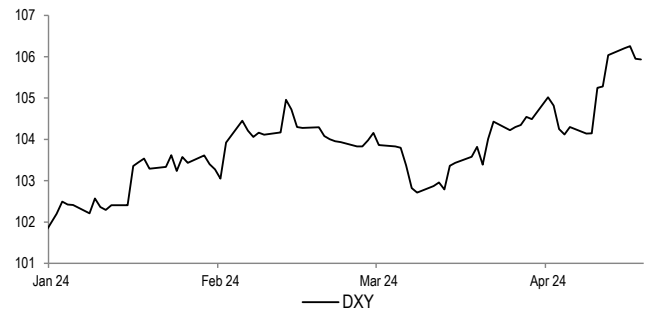


Source: Thomson Reuters

We do not think that P/Es can drive further equity upside without the support of earnings upgrades. Investors are expecting S&P500 EPS to accelerate by almost 20% by Q4 compared to the projected Q1 '24 levels. That hurdle rate is too steep in our opinion.

A stronger dollar is usually a problem for equities

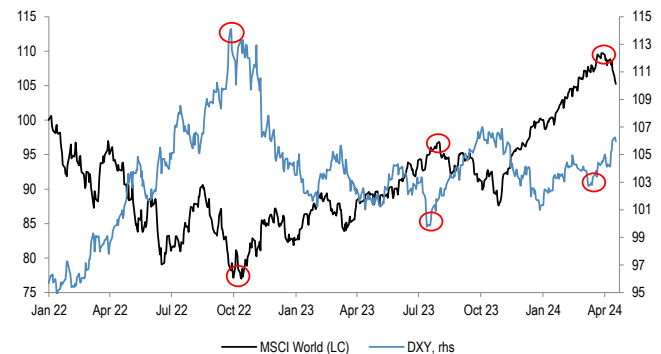
Figure 8: DXY



Source: Bloomberg Finance L.P.

USD had advanced so far ytd.

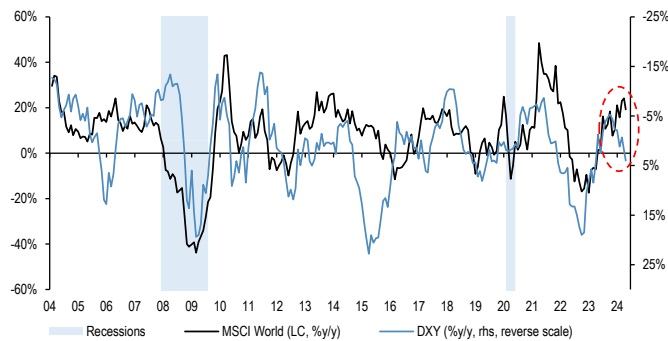
Figure 9: MSCI World and DXY since Jan'22



Source: Datastream, Bloomberg Finance L.P.

The peaks and troughs in the dollar have more or less coincided with the troughs and peaks in equities. Most recently, even though the dollar bottomed at the end of December, equities continued to rally.

Figure 10: MSCI World and DXY



Source: Bloomberg Finance L.P., Datastream

Historically, equities and the dollar exhibited a strong inverse correlation. In this context, the year-to-date divergence is quite notable. We believe that if the dollar continues to trend higher, equities will struggle.

Table 2: JPM DXY forecasts

DXY	Forecast for end of		
	18-Apr-24	Jun 24	Sep 24
	106.2	106.4	106.1

Source: J.P. Morgan.

JPM FX team is looking for stronger USD from here.

The gap between Fed futures and equities remains formidable

Figure 11: SPX and fed funds futures



Source: Bloomberg Finance L.P.

So far, the repricing in Fed expectations has been largely ignored by the market.

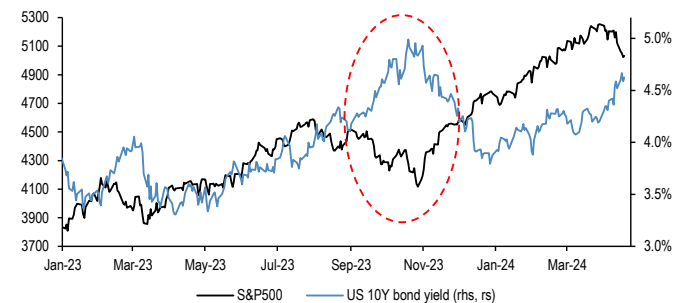
Table 3: Market expected Fed rate cut - Current vs Jan'24

Meeting	12th Jan'24	Current
01/31/2024	0	-
03/20/2024	-21	-
05/01/2024	-30	-1
06/12/2024	-32	-4
07/31/2024	-26	-8
09/18/2024	-25	-11
11/07/2024	-18	-6
12/18/2024	-17	-12
2024 cumulative cuts	-169	-42

Source: Bloomberg Finance L.P.

As of the 12th of January, the market was pricing in almost 170bp of cuts for this year. This dropped to just over 40bp at present.

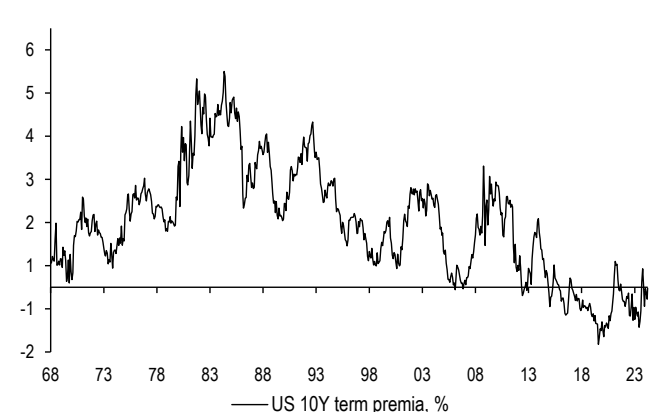
Figure 12: SPX and US 10Y bond yield



Source: Bloomberg Finance L.P.

Our view is that a continued move higher in yields will be problematic for equities. Last year, when yields moved from 3.9% to 5%, S&P500 had a 10% drawdown.

Figure 13: US 10Y Term Premia

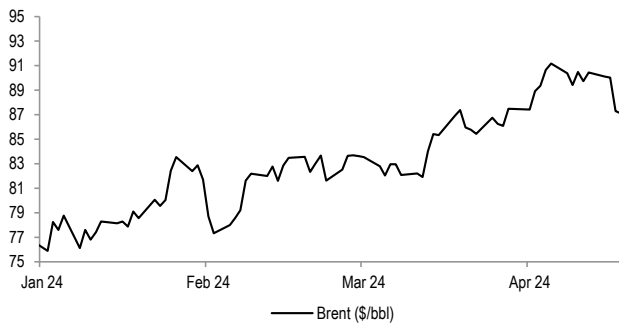


Source: J.P. Morgan.

It is interesting to note that term premia is still negative, suggesting that most expect inflation to start moving lower once again. The risk of further disappointments remains high.

Higher oil prices could further delay the roll-back in inflation

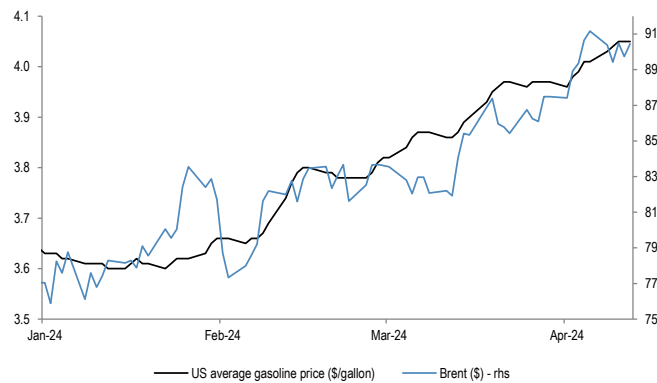
Figure 14: Brent



Source: Bloomberg Finance L.P.

Oil prices are up almost 15% year to date. While earlier in the year oil prices moved up on account of more optimistic demand projections, the more recent rise is driven by supply considerations and rising geopolitical risk premia.

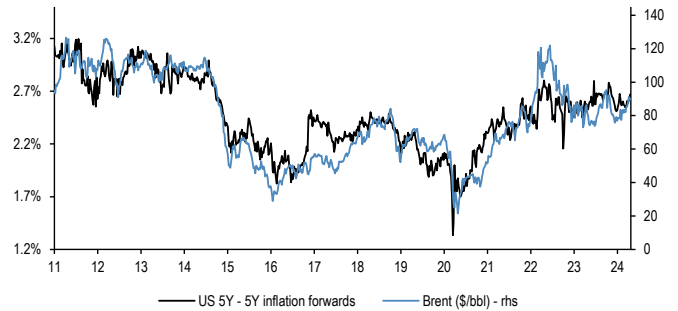
Figure 15: Brent and US Gasoline ytd



Source: Bloomberg Finance L.P.

US gasoline prices have broadly tracked the rise in oil prices.

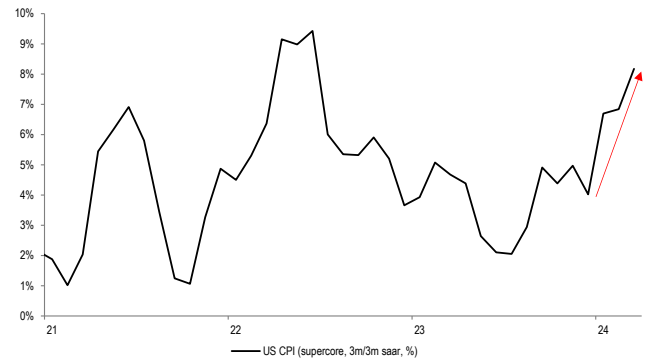
Figure 16: Brent and US 5Y Inflation forwards



Source: Bloomberg Finance L.P.

Brent and inflation forwards exhibit a strong positive correlation. Inflation could remain sticky at or above current levels unless oil prices move lower.

Figure 17: US supercore CPI

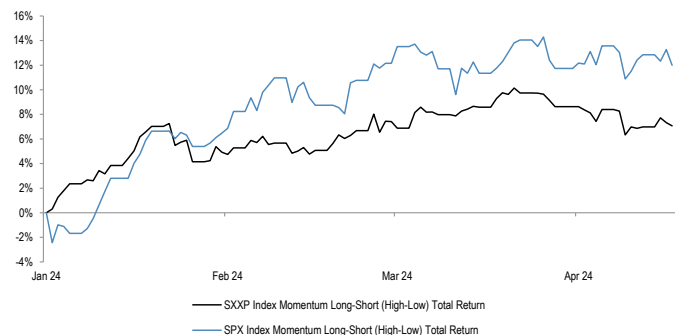


Source: Bloomberg Finance L.P.

Indeed, super-core CPI in the US has gone up sharply year to date, approaching 2022 highs.

Narrow market breadth is likely to amplify any negative moves, together with elevated positioning

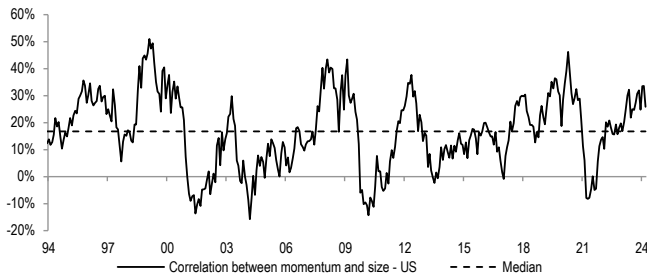
Figure 18: SPX and SXXP Momentum factor



Source: Bloomberg Finance L.P.

Momentum factor has been performing extremely well in both Europe and the US ytd.

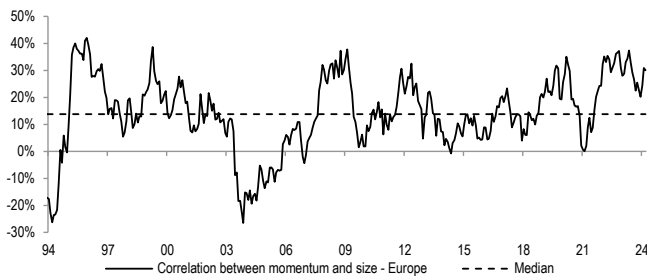
Figure 19: Correlation between momentum and size - US



Source: JPM US Equity Strategy

The correlation between momentum and size factors is at elevated levels, suggesting that stocks with bigger index weights are driving the momentum rally.

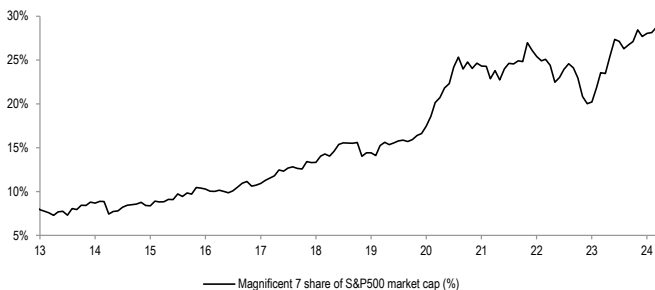
Figure 20: Correlation between momentum and size - Europe



Source: JPM US Equity Strategy

This is true for Europe as well, although not to the same extent.

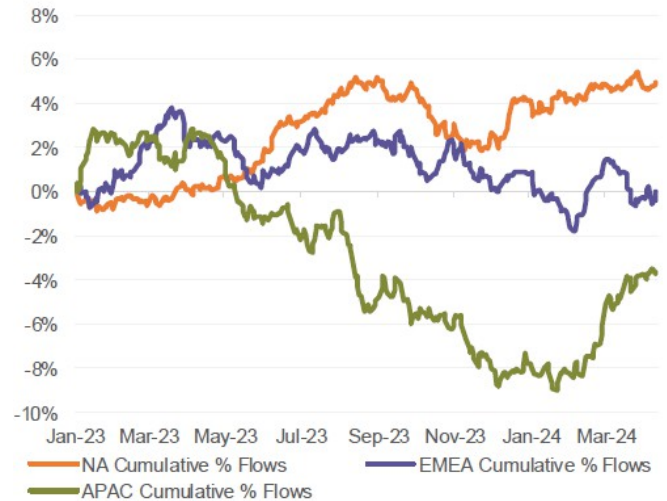
Figure 21: Magnificent 7 share of S&P500



Source: Datastream

Top 7 stocks in the US account for almost 30% of market cap currently. We believe this is relatively unhealthy setup for the market. If momentum factor starts unwinding, it is likely to drag the overall market lower given the weight of underlying stocks in that cohort.

Figure 22: Regional Net Flows - Cumulative



Source: J.P.Morgan Positioning Intelligence

Equities have received strong inflows in last few months, particularly in the US.

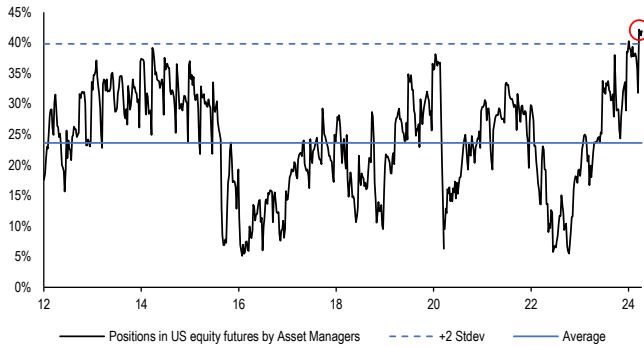
Figure 23: SPX mini futures positioning



Source: JPM Flows & Liquidity team

S&P500 positioning proxy based on cumulative daily changes in S&P500 mini futures open interest multiplied by the sign of the price change suggest that equity exposure, particularly among tactical investors i.e. hedge funds etc, is already quite elevated and even higher than what was observed at the end of 2021.

Figure 24: Positions in US equity futures by Asset Managers

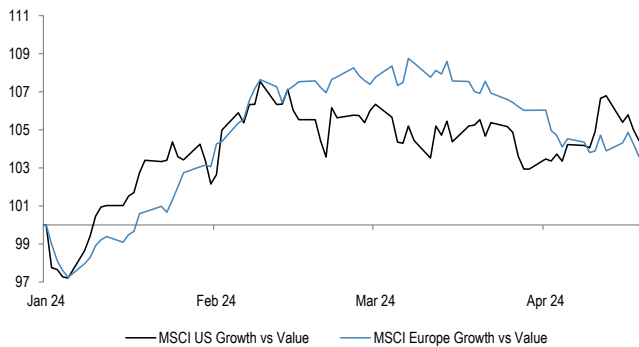


Source: JPM Flows & Liquidity team

Another positioning measure devised by our [Flows and Liquidity](#) team tracking US equity futures position of US asset managers is also quite stretched.

We continue to prefer Growth style over Value, even as we accept the risk of a reversal is high...

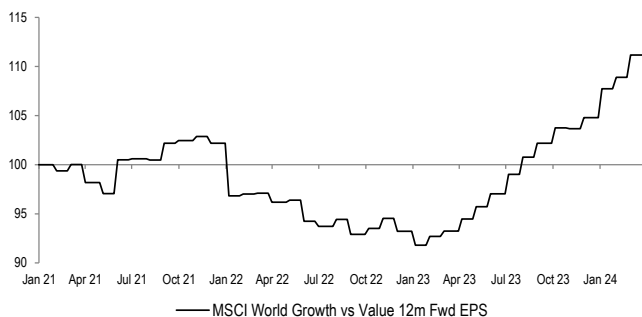
Figure 25: MSCI US and Europe Growth vs Value



Source: Datastream

In terms of our style preferences, we favoured Growth over Value style through last year, and again so far year to date.

Figure 26: MSCI World Growth vs Value 12m Fwd EPS



Source: Datastream

Growth style is supported by the continued better earnings delivery vs Value.

...and large caps over small caps

Table 4: Large vs Small caps ytd performance for key regions

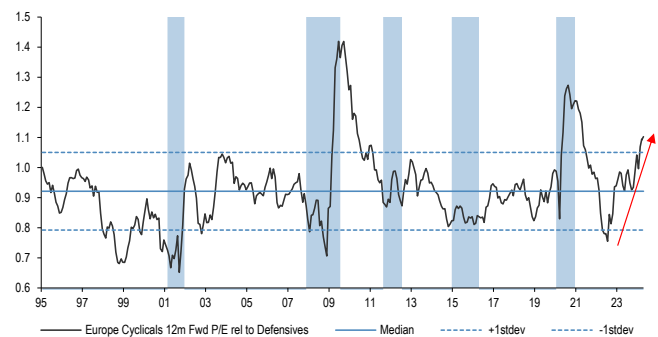
		% ytd perf
MSCI US	Small Cap	-3.2%
	Large Cap	4.8%
MSCI UK	Small Cap	-1.2%
	Large Cap	1.8%
MSCI Eurozone	Small Cap	1.8%
	Large Cap	6.9%
MSCI Japan	Small Cap	9.2%
	Large Cap	14.0%

Source: Datastream

We also held a preference for large caps over small caps. Small caps are trailing large caps in all key regions so far this year.

Defensive stocks are likely to trade better from here regardless of the direction of yields

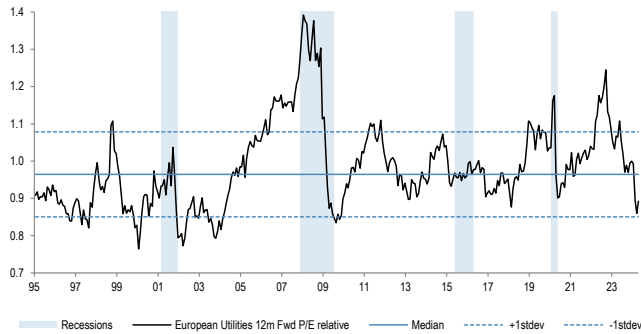
Figure 27: European Cyclical vs Defensives 12m Fwd PE relative



Source: IBES

At sector level, Cyclical have re-rated to outright expensive vs Defensives. Even if bond yields go higher from here, we think that the equity market will not like it, leading to a potential low beta outperformance.

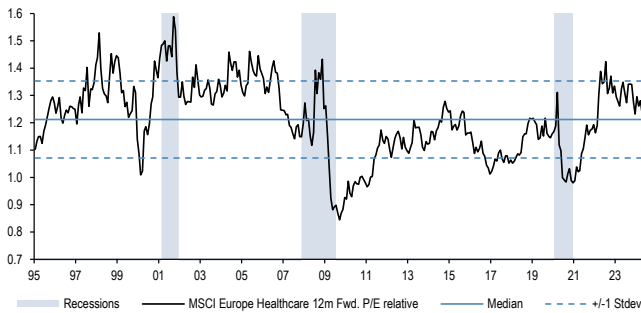
Figure 28: MSCI Europe Utilities 12m Fwd P/E relative



Source: IBES

Utilities in particular have de-rated to record cheap valuations.

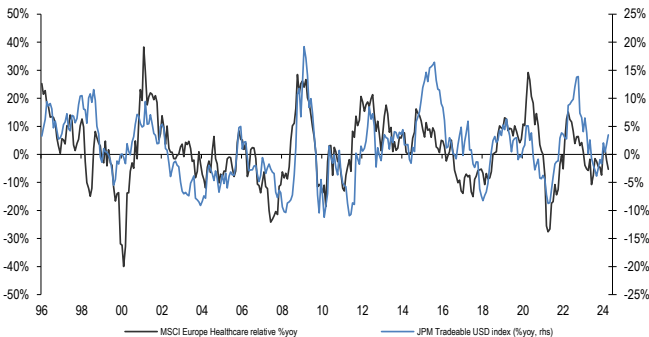
Figure 29: MSCI Europe Healthcare 12m Fwd P/E rel



Source: IBES

Healthcare is another sector which has de-rated significantly.

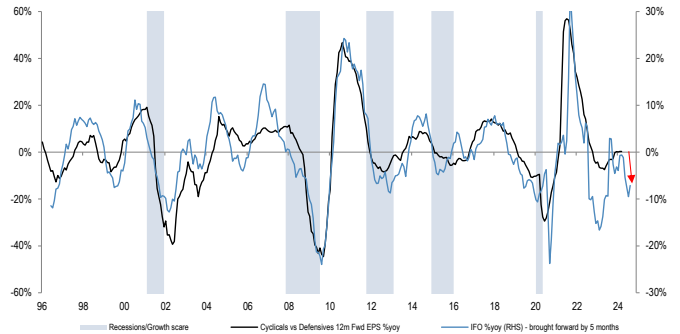
Figure 30: MSCI Europe Healthcare relative and JPM Tradeable USD



Source: Datastream

If the USD strengthens, Healthcare stands to benefit.

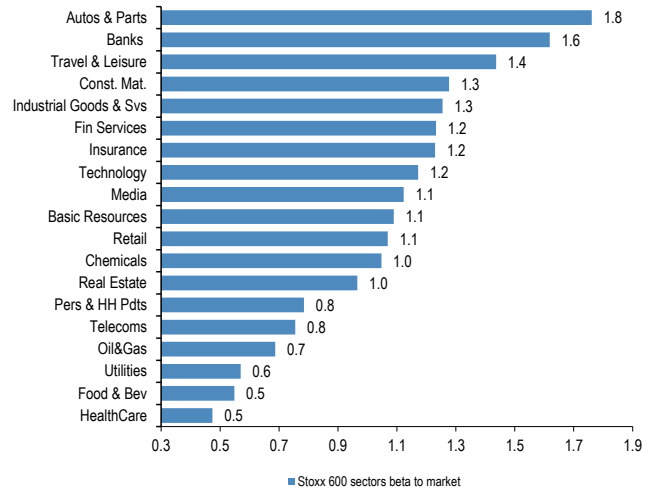
Figure 31: Cyclical EPS relative to Defensives vs IFO



Source: IBES, Datastream

In general, Cyclical earnings could underwhelm versus Defensives, judging by IFO direction.

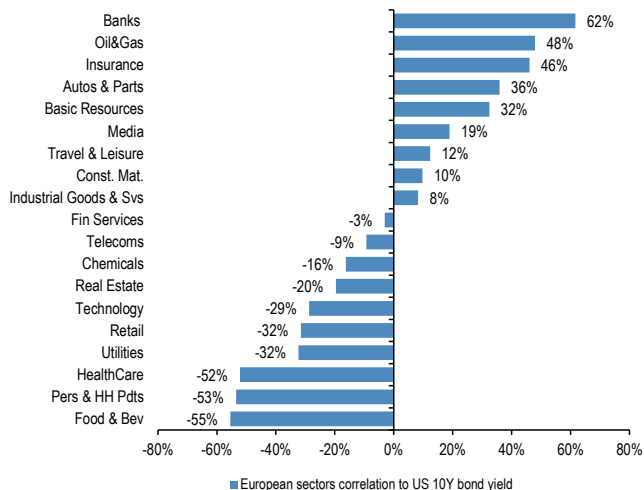
Figure 32: Stoxx 600 sectors beta to market



Source: Bloomberg Finance L.P.

If yields stay higher for longer on account of elevated inflationary pressures, then the low beta nature of Defensives would make them a good hedge against potential market downside.

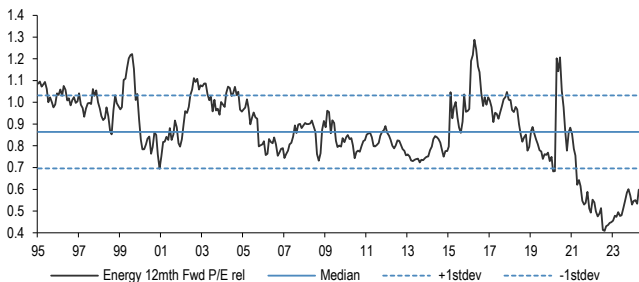
Figure 33: European sectors correlation to US 10Y bond yield



Source: Bloomberg Finance L.P.

On the other hand, it is the Defensive sectors that are best placed to benefit if yields move lower given the sharp inverse correlation.

Figure 34: European Energy 12m Fwd P/E relative

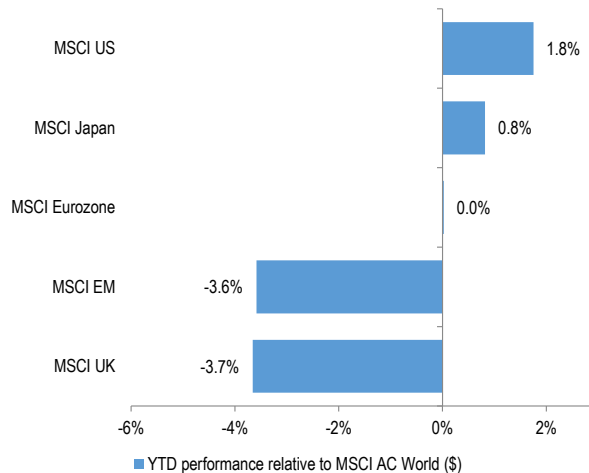


Source: IBES

We believe that Energy is also remaining attractive given strong FCF yield, very cheap valuations and the useful property of being a geopolitical hedge.

Regionally, we recently took profits on our preference for US equities over Eurozone, and on the China UW

Figure 35: YTD performance for key regions



Source: Datastream

We favoured US over EM and Europe, but have recently adjusted some of the bets.

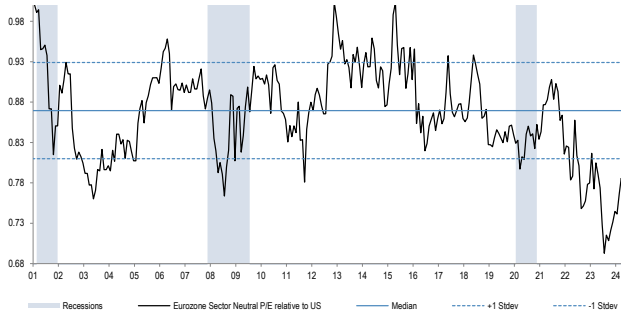
Figure 36: MSCI Eurozone vs US relative performance



Source: Datastream

We held a preference for US stocks over Eurozone since May of last year. As Eurozone lagged since then, we decided to neutralize the trade.

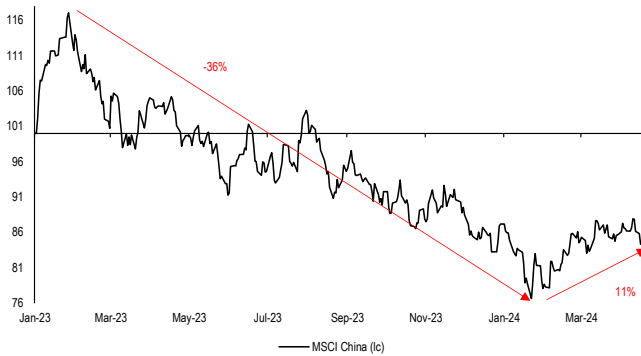
Figure 37: MSCI Eurozone sector neutral P/E vs MSCI US



Source: IBES

Eurozone at 13x is cheap vs the US at 21x, and the ECB could start moving ahead of the Fed this time around.

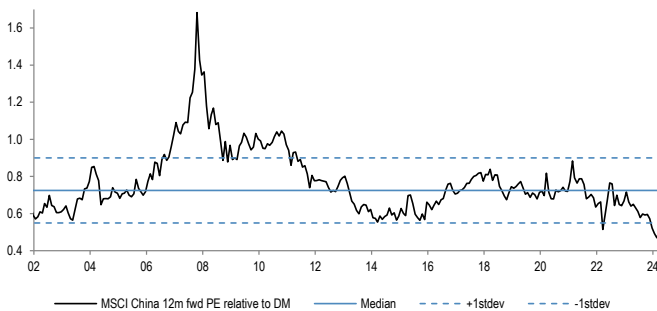
Figure 38: MSCI China



Source: Datastream

In Q1, we also closed our long-standing bearish China call, given the significant weakness already seen.

Figure 39: MSCI China 12m Fwd PE relative to MSCI World



Source: IBES

At 9x forward, Chinese equities are far from pricing in any optimism.

Equity Strategy Key Calls and Drivers

In terms of leadership, US and Japan are ahead of other markets ytd. Growth is outperforming Value and large caps are again beating small, in all key regions. We continue to believe that this style of leadership will broadly stay the case for a while longer, until there is a break, or a rest, in the cycle. For Value, low Quality, small caps or EM stocks to begin leading more sustainably one needs to see a deflationary backdrop, in our view, but we could see the opposite. Within this, we have recently taken profits on US vs Eurozone OW, as the Eurozone risk-reward has improved, in our view. Among other things?, Eurozone valuations appear very attractive, relative growth momentum could be bottoming out and ECB could start moving ahead of the Fed, which would be very atypical. We also have a tactical buy on China given extreme cheapness and UW positioning by most investors. Broadly, JPM Fixed Income's call is that bond yields are fundamentally set to move lower in 2H, but we note a pickup in inflation swaps as well as the outright negative term premia for bonds again, which suggest that there is a lot of complacency in the bond market with respect to the inflation risk. Consequently, the gap that has opened up ytd between Fed futures and the equity market is getting wider. Equities rallied almost 30% from last October's lows, driven in Nov-Dec by the expectation of a Fed pivot, but these projections have fully reversed back to October low levels. Equities are ignoring the most recent pivot of a pivot RIGHT WORD?, which might be a mistake. The assumption that the market is likely making here is one of growth acceleration coming to the rescue in 2H. In this regard, we note that earnings projections for 2024 are still not moving up. Regionally, Japan is staying our top pick, continuing our 2023 preference.

Table 5: 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 52.3
European Growth	Negative	Manufacturing and services are converging on the downside; industry data stays weak	
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 13.2x Fwd P/E
Technicals	Negative	Sentiment and positioning are stretched post the Nov-Dec rally	RSIs are in overbought territory

Source: J.P. Morgan estimates

Table 6: : 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 7: Index targets

	Dec '24 Target	18-Apr-24	% upside
MSCI Eurozone	256	291	-12%
FTSE 100	7,700	7,877	-2%
MSCI EUROPE	1,850	2,012	-8%
DJ EURO STOXX 50	4,250	4,937	-14%
DJ STOXX 600 E	460	500	-8%

Source: J.P. Morgan.

Table 8: Key Global sector calls

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

Source: J.P. Morgan

Table 9: J.P. Morgan Equity Strategy — Key sector calls*

Sector	Recommendations	Key Drivers
Healthcare	Overweight	Potential for lower yields and stronger dollar remain near term support, earnings are also holding up
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 further support
Banks	Underweight	Downgraded to UW in October after 3 years of strong performance. Bond yields and PMIs direction is the key for the potential P/E re-rating of the sector, we think both will move lower
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 10: J.P. Morgan Equity Strategy — Key regional calls

Region	Recommendations	J.P. Morgan Views
EM	Neutral	China tactical chance for a bounce, but structural bearish call remains
DM	Neutral	
US	Neutral	Expensive, with earnings risk. Growth style at a risk of reversal
Japan	Overweight	Japan is attractively priced; diverging policy path and TSE reforms are tailwinds
Eurozone	Neutral	Eurozone trading at a record discount vs the US; Growth differential to improve
UK	Overweight	Valuations still look very attractive, low beta with the highest regional dividend yield

Source: J.P. Morgan estimates.

Top Picks

Table 11: 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	15	E	49.7	-35%	-13%	1%	6.0%	7.1	12.7	-44%	4%	10%
TOTALENERGIES	TTE FP	Energy	OW	67	E	160.1	-33%	-3%	2%	4.7%	7.9	10.6	-26%	15%	15%
SHELL	SHEL LN	Energy	OW	33	E	212.1	-23%	-1%	6%	3.6%	8.5	11.2	-24%	19%	19%
CRH PUBLIC LIMITED	CRH LN	Materials	OW	77	US\$	49.5	-14%	24%	8%	1.7%	14.0	14.9	-6%	11%	61%
RIO TINTO	RIO LN	Materials	OW	537.1	£	107.2	-11%	0%	-3%	6.5%	9.3	10.3	-9%	-1%	-4%
NORSK HYDRO	NHY NO	Materials	OW	71	NK	12.3	-60%	19%	37%	3.5%	12.9	12.9	0%	18%	-13%
ANGLO AMERICAN	AAL LN	Materials	OW	2182	£	30.8	-51%	-13%	15%	3.5%	12.3	9.5	29%	22%	-22%
SCHNEIDER ELECTRIC	SU FP	Industrials	OW	215	E	120.3	2%	15%	12%	1.6%	24.9	16.5	51%	21%	42%
ASHTAD GROUP	AHT LN	Industrials	OW	5588	£	28.2	26%	0%	6%	1.4%	17.0	14.1	21%	15%	18%
RYANAIR HOLDINGS	RYA ID	Industrials	OW	21	E	23.1	-	32%	35%	0.0%	9.2	13.0	-29%	13%	37%
AIRBUS	AIR FP	Industrials	OW	161	E	125.3	10%	5%	25%	1.1%	22.7	18.4	23%	7%	25%
MTU AERO ENGINES HLDG.	MTX GR	Industrials	OW	214	E	11.4	24%	13%	14%	0.9%	16.7	18.1	-8%	1%	-12%
STELLANTIS	STLAM IM	Discretionary	OW	24	E	76.5	12%	-5%	1%	6.4%	4.3	4.8	-10%	23%	43%
BMW	BMW GR	Discretionary	OW	107	E	66.8	-35%	-4%	-1%	5.6%	6.3	7.7	-18%	14%	-
INDITEX	ITX SM	Discretionary	OW	44	E	134.7	27%	-	-	-	22.8	24.3	-6%	13%	39%
ADIDAS	ADS GR	Discretionary	OW	224	E	40.8	-154%	-	118%	0.3%	51.4	24.6	109%	36%	37%
RICHEMONT N	CFR SW	Discretionary	OW	128	SF	77.8	78%	-3%	11%	1.9%	18.4	20.4	-10%	10%	-14%
COMPASS GROUP	CPG LN	Discretionary	OW	2169	£	43.5	50%	14%	12%	2.0%	21.2	20.8	2%	0%	6%
COLRUYT GROUP	COLR BB	Staples	OW	41	E	5.2	-27%	62%	10%	2.0%	14.7	17.6	-17%	-5%	62%
ANHEUSER-BUSCH INBEV	ABI BB	Staples	OW	54	E	110.0	-5%	9%	15%	1.4%	16.7	19.5	-14%	-6%	-8%
NOVO NORDISK 'B'	NOVOB DC	Health Care	OW	863	DK	522.5	52%	26%	22%	1.1%	34.8	22.8	53%	18%	49%
ASTRAZENECA	AZN LN	Health Care	OW	10914	£	197.3	9%	12%	14%	2.1%	16.0	17.8	-10%	5%	-9%
SMITH & NEPHEW	SN/ LN	Health Care	OW	967	£	9.8	1%	12%	18%	3.1%	12.3	18.4	-33%	-12%	-19%
UBS GROUP	UBSG SW	Financials	OW	26	SF	91.0	-99%	3427%	107%	2.5%	21.1	10.4	104%	1%	37%
NATWEST GROUP	NWGW LN	Financials	OW	275	£	27.8	38%	-24%	9%	6.2%	6.8	10.2	-33%	33%	1%
ING GROEP	INGA NA	Financials	OW	15	E	49.6	106%	-12%	8%	7.3%	8.0	9.1	-12%	19%	26%
INTESA SANPAOLO	ISP IM	Financials	OW	3	E	60.8	79%	15%	2%	8.8%	7.3	10.1	-28%	22%	35%
LONDON STOCK EXCHANGE GROUP	LSEGL LN	Financials	OW	9036	£	56.2	2%	11%	13%	1.3%	25.1	22.9	9%	-1%	14%
AMUNDI (WI)	AMUN FP	Financials	OW	64	E	12.9	4%	6%	6%	6.4%	9.9	12.7	-22%	3%	8%
DASSAULT SYSTEMES	DSY FP	IT	OW	38	E	50.9	6%	7%	11%	0.7%	28.9	31.5	-8%	-18%	1%
ASML HOLDING	ASML NA	IT	OW	840	E	333.1	41%	-5%	58%	0.7%	37.1	26.9	38%	24%	43%
ASM INTERNATIONAL	ASM NA	IT	OW	545	E	26.6	-8%	6%	41%	0.5%	38.5	16.3	137%	9%	54%
DEUTSCHE TELEKOM	DTE GR	Telecoms	OW	21	E	105.1	-13%	12%	12%	3.7%	11.3	14.2	-20%	-8%	-7%
BT GROUP	BT/A LN	Telecoms	OW	105	£	12.2	9%	-11%	-1%	7.4%	5.6	8.8	-36%	-8%	-35%
RELX	REL LN	Industrials	OW	3329	£	72.5	12%	7%	9%	1.8%	26.4	19.4	36%	2%	27%
HELLOFRESH	HFG GR	Staples	OW	7	E	1.1	-49%	-30%	58%	0.0%	13.7	19.0	-28%	-45%	-72%
RWE	RWE GR	Utilities	OW	32	E	24.1	30%	-56%	-22%	3.1%	12.9	13.0	-1%	-13%	-20%
ENEL	ENEL IM	Utilities	OW	6	E	59.5	15%	10%	0%	7.3%	8.8	12.0	-27%	-11%	2%
SEGRO	SGRO LN	Real Estate	OW	840	£	13.0	6%	6%	7%	3.3%	23.7	25.3	-6%	2%	9%

Source: Datastream, MSCI, IBES, J.P. Morgan, Prices and Valuations as of COB 18th Apr, 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>, or you can contact the cover

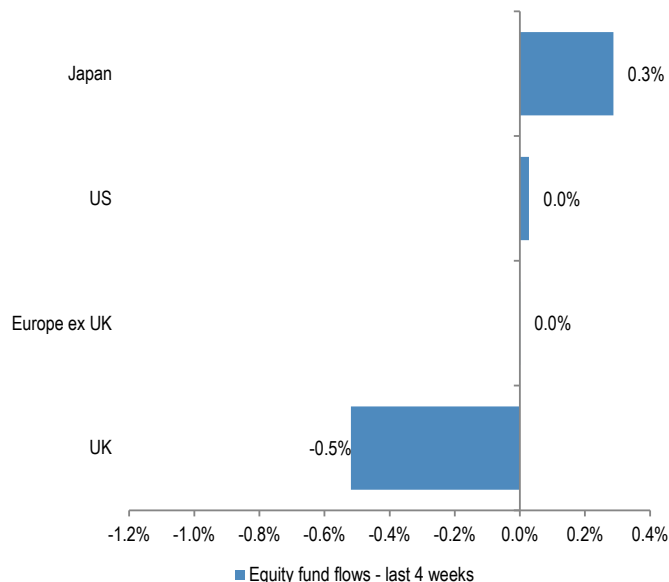
Equity Flows Snapshot

Table 12: DM Equity Fund Flows Summary

Regional equity fund flows										
	\$mn					% AUM				
	1w	1m	3m	ytd	12m	1w	1m	3m	ytd	12m
Europe ex UK	-340	1	-710	-1,505	-12,319	-0.1%	0.0%	-0.2%	-0.5%	-3.9%
UK	-547	-1,397	-6,593	-7,319	-28,699	-0.2%	-0.5%	-2.5%	-2.7%	-10.3%
US	-4,056	3,017	70,428	61,223	205,722	0.0%	0.0%	0.7%	0.6%	2.5%
Japan	-641	2,390	10,081	11,564	24,599	-0.1%	0.3%	1.3%	1.5%	3.7%

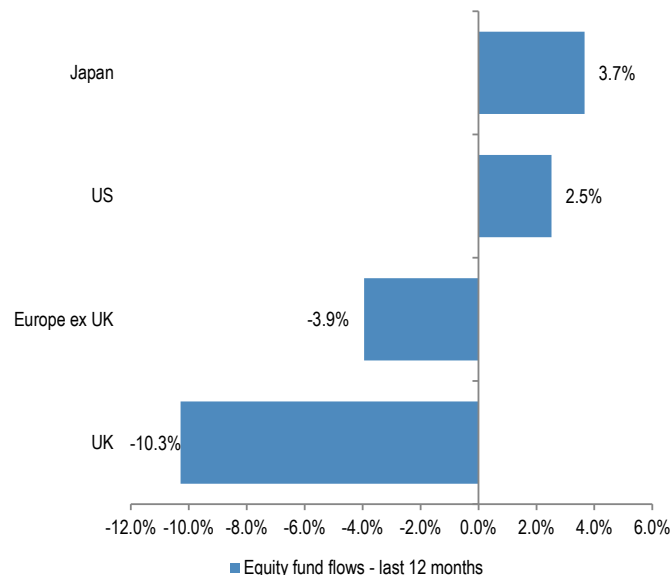
Source: EPFR, as of 17th Apr, 2024

Figure 40: DM Equity Fund flows – last month



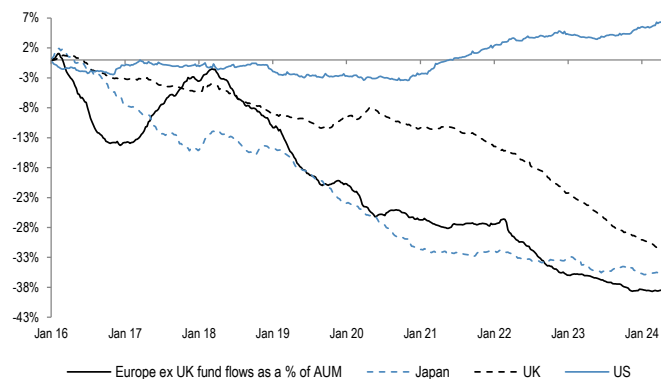
Source: EPFR, Japan includes BoJ purchases.

Figure 41: DM Equity Fund flows – last 12 months



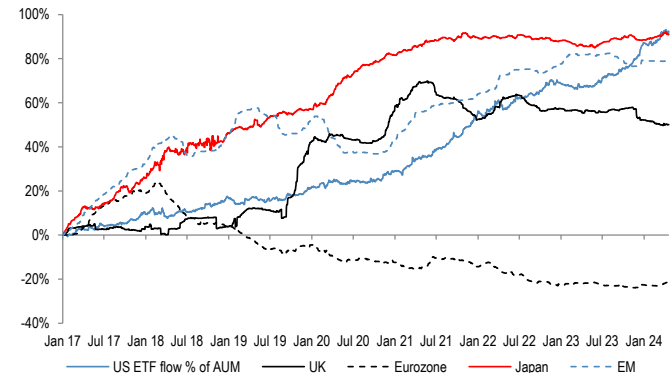
Source: EPFR, Japan includes BoJ purchases.

Figure 42: Cumulative fund flows into regional funds as a percentage of AUM



Source: EPFR, as of 17th Apr, 2024. Japan includes Non-ETF purchases only.

Figure 43: 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.

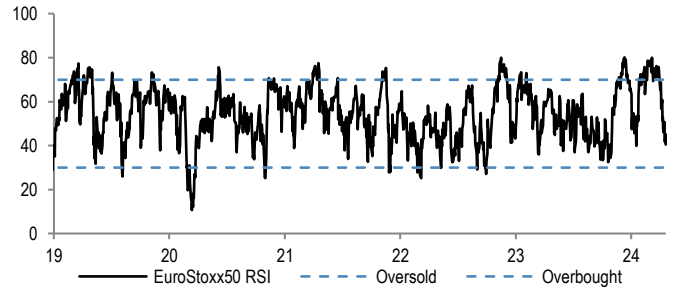
Technical Indicators

Figure 44: S&P500 RSI



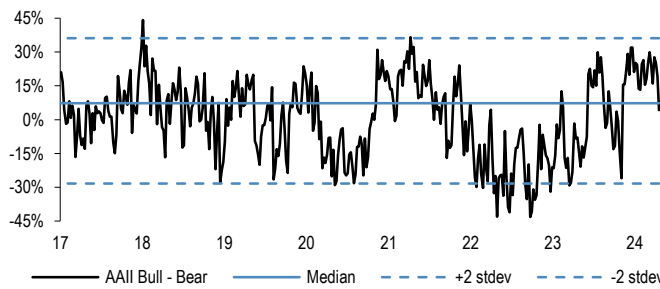
Source: Bloomberg Finance L.P.

Figure 45: EuroStoxx50 RSI



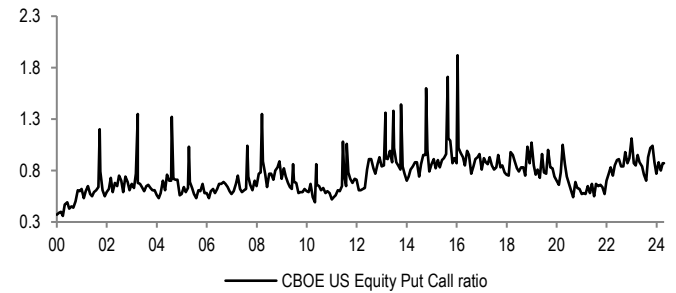
Source: Bloomberg Finance L.P.

Figure 46: AAll Bull-Bear



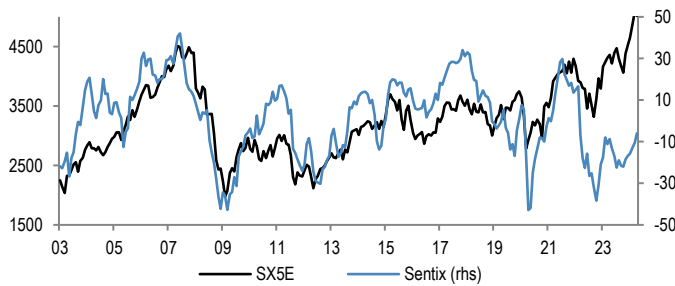
Source: Bloomberg Finance L.P.

Figure 47: Put-call ratio



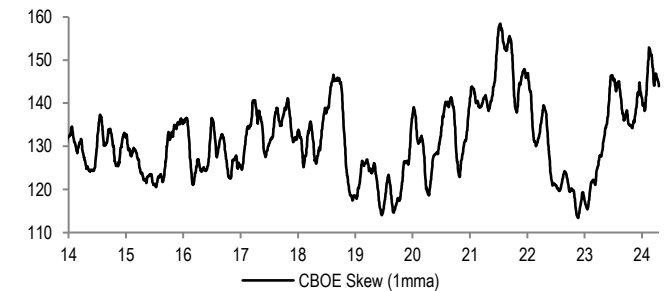
Source: Bloomberg Finance L.P.

Figure 48: Sentix Sentiment Index vs SX5E



Source: Bloomberg Finance L.P.

Figure 49: Equity Skew



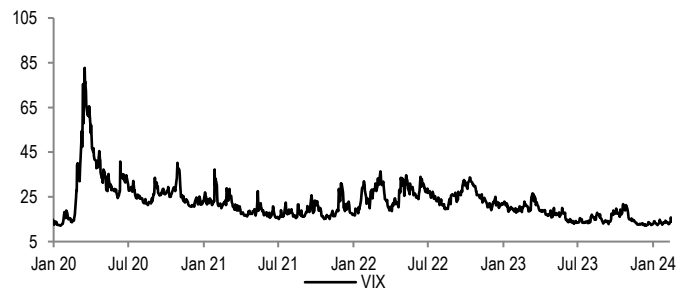
Source: Bloomberg Finance L.P.

Figure 50: Speculative positions in S&P500 futures contracts



Source: Bloomberg Finance L.P.

Figure 51: VIX



Source: Bloomberg Finance L.P.

Performance

Table 13: Sector Index Performances — MSCI Europe

(%change)		Local currency		
Industry Group		4week	12m	YTD
Europe		(2.0)	5.7	5.0
Energy		6.2	8.2	7.8
Materials		(0.0)	4.6	3.3
	Chemicals	(3.0)	3.9	2.6
	Construction Materials	(5.2)	44.9	16.7
	Metals & Mining	9.1	(8.7)	(0.2)
Industrials		(2.5)	17.2	7.7
	Capital Goods	(2.2)	22.5	10.5
	Transport	(1.2)	(12.7)	(11.4)
	Business Svs	(5.0)	7.7	3.2
Consumer Discretionary		(3.2)	0.5	8.5
	Automobile	(1.2)	14.6	14.9
	Consumer Durables	(4.5)	(6.7)	8.2
	Media	(0.9)	12.5	6.1
	Retailing	0.1	5.7	6.8
	Hotels, Restaurants & Leisure	(5.2)	(1.3)	1.3
Consumer Staples		(1.8)	(14.1)	(4.0)
	Food & Drug Retailing	(2.8)	(11.6)	(6.9)
	Food Beverage & Tobacco	(1.5)	(15.8)	(2.9)
	Household Products	(2.2)	(11.1)	(5.4)
Healthcare		(2.5)	0.5	4.8
Financials		(1.6)	15.7	8.0
	Banks	2.0	21.4	12.5
	Diversified Financials	(4.1)	13.7	2.8
	Insurance	(5.2)	9.0	5.2
Real Estate		(1.6)	6.1	(4.4)
Information Technology		(7.3)	26.1	11.3
	Software and Services	(6.4)	33.4	12.1
	Technology Hardware	(5.0)	(3.3)	(3.2)
	Semicon & Semicon Equip	(8.2)	29.2	13.8
Telecommunications Services		(1.8)	(5.9)	0.5
Utilities		0.2	(7.0)	(7.2)

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

Table 14: Country and Region Index Performances

(%change)		Local Currency			US\$		
Country	Index	4week	12m	YTD	4week	12m	YTD
Austria	ATX	1.6	8.0	3.0	(0.3)	5.0	(0.6)
Belgium	BEL 20	1.0	(0.1)	3.2	(0.9)	(2.9)	(0.4)
Denmark	KFX	(3.5)	23.3	13.7	(5.4)	19.6	9.5
Finland	HEX 20	(0.9)	(9.9)	(3.3)	(2.8)	(12.4)	(6.7)
France	CAC 40	(1.9)	6.5	6.4	(3.8)	3.5	2.6
Germany	DAX	(1.9)	12.3	6.5	(3.7)	9.2	2.7
Greece	ASE General	(3.4)	23.3	6.8	(5.3)	19.8	3.0
Ireland	ISEQ	0.4	17.2	13.5	(1.5)	14.0	9.5
Italy	FTSE MIB	(1.3)	21.5	11.6	(3.2)	18.1	7.7
Japan	Topix	(4.2)	31.2	13.1	(6.1)	13.6	3.2
Netherlands	AEX	(1.1)	13.4	10.0	(3.0)	10.2	6.1
Norway	OBX	2.8	5.9	4.2	(0.5)	0.5	(4.0)
Portugal	BVL GEN	2.2	(11.4)	(11.1)	0.2	(13.9)	(14.2)
Spain	IBEX 35	(0.9)	14.3	6.6	(2.8)	11.1	2.8
Sweden	OMX	(1.3)	11.6	5.1	(5.6)	5.2	(3.2)
Switzerland	SMI	(4.0)	(1.1)	0.8	(5.4)	(2.7)	(7.0)
United States	S&P 500	(4.4)	20.6	5.1	(4.4)	20.6	5.1
United States	NASDAQ	(4.9)	28.4	3.9	(4.9)	28.4	3.9
United Kingdom	FTSE 100	(0.1)	(0.4)	1.9	(1.8)	(0.3)	(0.6)
EMU	MSCI EMU	(2.0)	8.9	6.9	(3.9)	5.9	3.1
Europe	MSCI Europe	(2.0)	5.7	5.0	(3.8)	3.4	0.6
Global	MSCI AC World	(4.0)	17.4	5.1	(4.5)	15.7	3.5

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

Earnings

Table 15: IBES Consensus EPS Sector Forecasts — MSCI Europe

	EPS Growth (%yoy)			
	2023	2024E	2025E	2026E
Europe	(3.6)	3.5	10.2	9.1
Energy	(31.6)	(4.5)	3.1	4.0
Materials	(38.8)	5.8	12.5	7.1
Chemicals	(38.9)	24.3	19.1	12.2
Construction Materials	11.8	11.8	9.9	7.7
Metals & Mining	(46.2)	(6.5)	5.6	2.0
Industrials	0.9	7.4	13.7	11.9
Capital Goods	22.2	11.7	13.6	11.7
Transport	(55.0)	(24.3)	19.1	15.4
Business Svs	3.2	8.8	11.0	10.9
Discretionary	8.0	2.5	10.6	9.6
Automobile	3.3	(3.0)	5.4	6.5
Consumer Durables	(5.8)	4.7	15.1	13.3
Media	1.2	7.4	10.2	10.7
Retailing	52.6	13.4	17.2	8.4
Hotels,Restaurants&Leisure	85.6	21.4	21.0	16.6
Staples	2.5	2.6	8.9	8.0
Food & Drug Retailing	4.7	4.8	11.8	8.6
Food Beverage & Tobacco	2.1	1.4	8.9	8.1
Household Products	2.9	5.0	7.7	7.5
Healthcare	1.2	6.1	14.4	10.4
Financials	15.5	5.7	8.0	10.0
Banks	28.5	0.8	4.6	7.2
Diversified Financials	(20.0)	16.4	22.6	24.5
Insurance	11.7	12.6	8.3	8.1
Real Estate	5.8	2.9	3.5	2.5
IT	14.0	(5.4)	30.0	15.3
Software and Services	18.5	(0.1)	20.7	14.0
Technology Hardware	(20.6)	9.1	9.6	9.7
Semicon & Semicon Equip	27.9	(12.9)	44.1	17.6
Telecoms	(8.9)	10.5	10.8	8.8
Utilities	(0.2)	(0.2)	1.1	2.2

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

Table 16: IBES Consensus EPS Country Forecasts

Country	Index	EPS growth (%change)			
		2023	2024E	2025E	2026E
Austria	ATX	(20.6)	(0.7)	5.1	4.6
Belgium	BEL 20	13.3	(6.3)	12.2	13.3
Denmark	Denmark KFX	(14.8)	26.4	22.1	17.9
Finland	MSCI Finland	(25.1)	3.3	12.2	8.1
France	CAC 40	(2.4)	2.5	8.8	8.2
Germany	DAX	0.2	1.8	12.1	10.9
Greece	MSCI Greece	4.2	3.6	2.4	16.6
Ireland	MSCI Ireland	32.5	(1.8)	3.1	6.2
Italy	MSCI Italy	8.6	2.0	2.8	4.0
Netherlands	AEX	(1.6)	0.9	12.9	8.8
Norway	MSCI Norway	(40.4)	3.0	6.1	2.2
Portugal	MSCI Portugal	16.9	14.2	4.8	5.3
Spain	IBEX 35	8.2	2.4	4.1	6.4
Sweden	OMX	31.6	1.2	8.3	6.8
Switzerland	SMI	(4.6)	9.8	13.9	10.7
United Kingdom	FTSE 100	(10.7)	0.9	8.1	8.4
EMU	MSCI EMU	3.5	3.1	10.2	9.0
Europe ex UK	MSCI Europe ex UK	0.4	4.4	11.1	9.4
Europe	MSCI Europe	(3.6)	3.5	10.2	9.1
United States	S&P 500	2.3	9.3	14.4	11.7
Japan	Topix	2.8	15.4	9.8	9.3
Emerging Market	MSCI EM	(7.5)	19.8	15.4	11.1
Global	MSCI AC World	(0.2)	9.0	13.1	10.8

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

Valuations

Table 17: 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	13.7	12.4	11.4	3.4%	3.6%	3.9%	8.1	7.5	7.0	1.9	1.8	1.6
Energy	8.0	7.8	7.5	5.3%	5.2%	5.5%	3.4	3.4	3.3	1.2	1.1	1.1
Materials	15.8	14.1	13.2	3.1%	3.4%	3.6%	7.7	6.9	6.7	1.7	1.6	1.5
Chemicals	23.4	19.7	17.5	2.7%	2.9%	3.0%	11.5	10.4	9.6	2.4	2.3	2.1
Construction Materials	13.1	12.0	11.1	2.9%	3.1%	3.3%	7.7	7.1	6.5	1.7	1.6	1.5
Metals & Mining	10.9	10.3	10.2	3.8%	4.1%	4.5%	5.2	4.5	4.7	1.3	1.2	1.1
Industrials	19.1	16.8	15.0	2.4%	2.6%	2.9%	10.3	9.2	8.3	3.2	3.0	2.7
Capital Goods	19.0	16.8	15.0	2.3%	2.5%	2.8%	10.7	9.5	8.6	3.4	3.2	2.9
Transport	16.9	14.2	12.3	3.4%	3.7%	3.7%	7.3	6.6	5.9	1.6	1.6	1.5
Business Svcs	20.9	18.9	17.0	2.5%	2.7%	2.9%	12.8	11.7	10.8	6.0	5.5	4.9
Discretionary	13.1	11.9	10.8	2.7%	3.0%	3.3%	5.6	5.1	4.8	1.9	1.8	1.5
Automobile	6.3	6.0	5.6	4.9%	5.2%	5.5%	2.0	1.8	1.7	0.8	0.7	0.6
Consumer Durables	23.5	20.5	18.1	1.8%	2.0%	2.3%	14.5	12.9	11.5	4.3	3.8	3.5
Media & Entertainment	16.3	14.8	13.4	2.3%	2.5%	2.7%	11.9	10.0	9.0	1.8	1.8	1.9
Retailing	15.1	12.9	11.9	2.4%	2.6%	2.9%	10.5	9.6	9.0	2.9	2.8	2.2
Hotels, Restaurants & Leisure	22.1	18.2	15.6	2.2%	2.6%	3.0%	12.4	10.4	9.5	4.2	3.8	3.5
Staples	16.2	14.9	13.8	3.2%	3.4%	3.7%	10.6	9.9	9.1	2.8	2.6	2.5
Food & Drug Retailing	11.4	10.2	9.4	4.3%	4.6%	5.0%	6.0	5.6	5.3	1.5	1.5	1.4
Food Beverage & Tobacco	16.0	14.7	13.6	3.5%	3.8%	4.0%	10.5	9.8	9.0	2.5	2.4	2.3
Household Products	18.7	17.4	16.2	2.5%	2.7%	2.8%	13.5	12.5	11.8	4.1	3.8	3.8
Healthcare	17.1	15.0	13.6	2.4%	2.7%	3.0%	12.4	10.9	9.6	3.4	3.1	2.8
Financials	8.9	8.2	7.5	5.6%	5.7%	6.2%	-	-	-	1.1	1.0	0.9
Banks	7.1	6.7	6.3	7.2%	7.1%	7.6%	-	-	-	0.8	0.7	0.7
Diversified Financials	14.3	11.7	9.6	2.4%	2.7%	3.0%	-	-	-	1.3	1.4	1.4
Insurance	10.2	9.4	8.7	5.7%	6.1%	6.6%	-	-	-	1.6	1.5	1.5
Real Estate	13.4	13.0	12.6	4.3%	4.5%	4.8%	-	-	-	0.8	0.8	0.8
IT	28.4	21.8	18.9	1.2%	1.3%	1.5%	18.6	14.4	12.6	4.9	4.4	3.9
Software and Services	29.0	24.0	21.1	1.3%	1.4%	1.6%	19.6	15.8	13.9	4.4	4.0	3.6
Technology Hardware	14.8	13.5	12.3	2.7%	2.8%	3.0%	8.7	8.1	7.0	1.8	1.7	1.6
Semicon & Semicon Equip	33.0	22.9	19.5	0.9%	1.0%	1.2%	22.5	15.6	13.5	8.1	6.7	5.6
Communication Services	13.6	12.3	11.3	4.4%	4.5%	4.8%	6.7	6.2	5.8	1.4	1.3	1.3
Utilities	11.8	11.7	11.4	5.2%	5.3%	5.6%	7.9	8.1	8.2	1.5	1.4	1.3

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

Table 18: 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	7.8	7.9	7.5	7.0	5.9%
Belgium	BEL 20	15.1	15.7	14.0	12.3	3.0%
Denmark	Denmark KFX	26.6	28.6	23.4	19.9	1.7%
Finland	MSCI Finland	14.4	15.0	13.4	12.4	4.6%
France	CAC 40	13.2	13.6	12.5	11.5	3.3%
Germany	DAX	12.0	12.5	11.1	10.0	3.3%
Greece	MSCI Greece	29.9	30.1	29.4	24.3	1.8%
Ireland	MSCI Ireland	11.1	11.2	10.9	10.2	3.5%
Italy	MSCI Italy	9.0	9.1	8.9	8.5	5.5%
Netherlands	AEX	15.3	15.8	14.0	13.2	2.5%
Norway	MSCI Norway	10.8	11.0	10.4	10.2	6.2%
Portugal	MSCI Portugal	13.9	14.1	13.4	12.8	4.2%
Spain	IBEX 35	10.8	11.0	10.5	9.9	4.8%
Sweden	OMX	15.2	15.6	14.4	13.6	3.8%
Switzerland	SMI	16.3	17.0	15.0	13.5	3.5%
United Kingdom	FTSE 100	11.1	11.4	10.5	9.7	4.1%
EMU	MSCI EMU	13.1	13.5	12.3	11.3	3.4%
Europe ex UK	MSCI Europe ex UK	14.1	14.6	13.1	12.0	3.4%
Europe	MSCI Europe	13.2	13.7	12.4	11.4	3.6%
United States	S&P 500	20.0	21.2	18.5	16.6	1.5%
Japan	Topix	14.6	16.2	14.7	13.5	2.3%
Emerging Market	MSCI EM	12.2	12.8	10.7	9.9	3.1%
Global	MSCI AC World	17.5	18.3	15.6	14.7	2.1%

Source: IBES, MSCI, Datastream. As at COB 18th Apr, 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 19: Economic Outlook in Summary

	Real GDP			Real GDP						Consumer prices			
	% oya			% over previous period, saar						% oya			
	2023E	2024E	2025E	3Q23	4Q23	1Q24E	2Q24E	3Q24E	4Q24E	4Q23	2Q24E	4Q24E	2Q25E
United States	2.5	2.4	1.7	4.9	3.4	2.3	1.5	1.0	1.0	3.2	3.5	3.3	2.4
Eurozone	0.5	0.4	1.0	-0.2	-0.2	0.5	0.7	0.7	0.7	2.7	2.6	2.2	1.7
United Kingdom	0.1	0.2	0.1	-0.5	-1.2	1.5	0.8	0.0	-0.5	4.2	1.9	2.4	2.5
Japan	1.9	0.7	0.8	-3.2	0.4	1.0	1.7	1.0	0.8	2.9	3.2	3.1	2.6
Emerging markets	4.2	4.1	3.6	5.8	3.9	5.5	3.4	3.6	3.6	3.7	4.1	3.5	3.3
Global	2.7	2.6	2.3	3.6	2.6	3.3	2.1	2.1	2.0	3.4	3.5	3.1	2.7

Source: J.P. Morgan economic research J.P. Morgan estimates, as of COB 11th Apr, 2024

Table 20: Official Rates Outlook

	Official interest rate	Current	Last change (bp)	Forecast next change (bp)	Forecast for			
					Jun 24	Sep 24	Dec 24	Mar 25
United States	Federal funds rate	5.50	26 Jul 23 (+25bp)	Jun 24 (-25bp)	5.25	5.00	4.75	4.50
Eurozone	Depo rate	4.00	14 Sep 23 (+25bp)	Jun 24 (-25bp)	3.75	3.50	3.00	2.50
United Kingdom	Bank Rate	5.25	03 Aug 23 (+25bp)	Aug 24 (-25bp)	5.25	5.00	4.50	4.00
Japan	Pol rate IOER	0.10	19 Mar 24 (+20bp)	3Q24 (+15bp)	0.10	0.25	0.50	0.50

Source: J.P. Morgan estimates, Datastream, as of COB 11th Apr, 2024

Table 21: 10-Year Government Bond Yield Forecasts

10 Yr Govt BY	19-Apr-24	Forecast for end of			
		Jun 24	Sep 24	Dec 24	Mar 25
US	4.59	4.15	4.05	4.00	3.90
Euro Area	2.47	2.20	2.05	1.90	1.80
United Kingdom	4.25	4.05	3.95	3.80	3.65
Japan	0.85	0.85	1.05	1.30	1.30

Source: J.P. Morgan estimates, Datastream, forecasts as of COB 11th Apr, 2024

Table 22: Exchange Rate Forecasts vs. US Dollar

Exchange rates vs US\$	18-Apr-24	Forecast for end of			
		Jun 24	Sep 24	Dec 24	Mar 25
EUR	1.07	1.05	1.05	1.09	1.12
GBP	1.24	1.22	1.22	1.25	1.29
CHF	0.91	0.92	0.91	0.89	0.87
JPY	155	148	146	144	142
DXY	106.2	106.4	106.1	102.9	100.3

Source: J.P. Morgan estimates, Datastream, forecasts as of COB 11th Apr, 2024

Sector, Regional and Asset Class Allocations

Table 23: 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

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

Table 24: 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 25: 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 26: J.P. Morgan Equity Strategy — Asset Class Allocation

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

Source: MSCI, J.P. Morgan

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