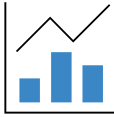




Economic Update

Dr. David Kelly, CFA | Chief Global Strategist for J.P. Morgan Asset Management

This weekly update provides a snapshot of changes in the economy and markets and their implications for investors.



Growth

1Q22 Real GDP showed the economy contracted at a 1.5% annual rate in 1Q22, a deceleration from the boomy 4Q21. Weakness was primarily led by volatile trade and inventory data. Trade subtracted 3.2% from overall GDP growth as exports fell sharply and imports soared. Real private inventories grew at a solid \$158.7Bn annual pace, but came in below its record 4Q21 pace. Weakness was partially offset by strong consumer spending, which grew by 2.7% ann. in the first quarter. At the start of the second quarter, PMIs show U.S. business activity slowed in May as soaring costs for raw materials, fuel and labor pushed input prices to a record high. The composite PMI Index fell to 53.6 from 53.8 in May.



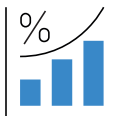
Jobs

May nonfarm payrolls rose by a robust 390K with modest downward revisions of the prior two months. The unemployment rate stayed steady at 3.6% for the third consecutive month, while the labor force participation rate ticked up to 62.3% from 62.3% and wage growth continued at its moderate pace of 0.3%. Flexibility in labor supply is allowing job gains in areas most in need (construction, leisure and hospitality, and education) while shedding jobs with excess (retail). Investors should take labor market cooling as a positive, as slow and steady growth and lower inflation may suggest the economy can achieve a soft landing, if the Fed has the patience to allow it.



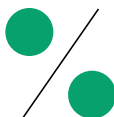
Profits

After a solid 4Q21 earnings season, 1Q 2022 earnings have held up better than expected. With 498 companies having reported (99.7% of market cap), our current estimate for 1Q 2022 is \$49.96 (\$41.44 ex-financials). 72% of companies have beaten on earnings expectations and 63% have beaten on revenue expectations. Omicron, higher inflation, disrupted supply chains and a slightly stronger dollar are weighing on profits. However, we expect robust economic growth and a surge in energy prices to continue to provide support for earnings.



Inflation

Inflation has far exceeded the FOMC's 2% target, with the headline PCE price index rising +0.9% m/m and +6.6% y/y in March. The core PCE deflator also rose +0.3% m/m and +5.2% y/y. The May CPI report showed hotter-than-expected inflation despite hopes for a moderation. Headline CPI rose 1.0% m/m and 8.6% y/y, while Core CPI jumped 0.6% m/m and 6.0% y/y. While surges in energy prices led the upside in headline CPI, core inflation continued to accelerate as airfares, new vehicle prices and shelter costs rose solidly.



Rates

Persistent inflationary pressures have pushed the Fed to accelerate its rate hiking scheduling. At its June meeting, the FOMC announced a 0.75% increase in the federal funds target range, the largest increase since 1994, to 1.50%-1.75%. The Fed kept the door open for another 0.75% increase at its July meeting, sending a clear message that the Fed will expeditiously raise rates in order to tame inflation. Revisions to its summary of economy projections recognize persistent inflationary pressures, cooling growth, and the impact higher rates will have on cooling demand for labor. By the end of 2022, the "dot plot" implies a federal funds rate of 3.4%, revised up from 1.9% in March.



Risks

- The Fed could push the economy into recession if it overtightens policy in response to supply-driven inflation.
- Heightened geopolitical tensions with Russia could result in continued energy shortages, low consumer confidence and dampened growth.

Markets may remain depressed and volatile until investors receive clarity on inflation and the Fed.



Investment Themes

- After this year's sell-off, fixed income now offers more protection against a market correction or economic downturn.
- U.S. equity investors may use profits as a guide in a rising rate environment.
- Long-term growth prospects, a falling dollar and wide valuation discounts support international equities.

● Denotes updated information

**Data are as of June 20, 2022**

The Market Insights program provides comprehensive data and commentary on global markets without reference to products. Designed as a tool to help clients understand the markets and support investment decision-making, the program explores the implications of current economic data and changing market conditions.

The J.P. Morgan Asset Management Market Insights and Portfolio Insights programs, as non-independent research, have not been prepared in accordance with legal requirements designed to promote the independence of investment research, nor are they subject to any prohibition on dealing ahead of the dissemination of investment research.

This document is a general communication being provided for informational purposes only. It is educational in nature and not designed to be taken as advice or a recommendation for any specific investment product, strategy, plan feature or other purpose in any jurisdiction, nor is it a commitment from J.P. Morgan Asset Management or any of its subsidiaries to participate in any of the transactions mentioned herein. Any examples used are generic, hypothetical and for illustration purposes only. This material does not contain sufficient information to support an investment decision and it should not be relied upon by you in evaluating the merits of investing in any securities or products. In addition, users should make an independent assessment of the legal, regulatory, tax, credit, and accounting implications and determine, together with their own financial professional, if any investment mentioned herein is believed to be appropriate to their personal goals. Investors should ensure that they obtain all available relevant information before making any investment. Any forecasts, figures, opinions or investment techniques and strategies set out are for information purposes only, based on certain assumptions and current market conditions and are subject to change without prior notice. All information presented herein is considered to be accurate at the time of production, but no warranty of accuracy is given and no liability in respect of any error or omission is accepted. It should be noted that investment involves risks, the value of investments and the income from them may fluctuate in accordance with market conditions and taxation agreements and investors may not get back the full amount invested. Both past performance and yields are not reliable indicators of current and future results.

J.P. Morgan Asset Management is the brand for the asset management business of JPMorgan Chase & Co. and its affiliates worldwide.

Telephone calls and electronic communications may be monitored and/or recorded.

Personal data will be collected, stored and processed by J.P. Morgan Asset Management in accordance with our privacy policies at <https://www.jpmorgan.com/privacy>.

This communication is issued in the United States, by J.P. Morgan Investment Management Inc. or J.P. Morgan Alternative Asset Management, Inc., both regulated by the Securities and Exchange Commission.

If you are a person with a disability and need additional support in viewing the material, please call us at 1-800-343-1113 for assistance.

Copyright 2022 JPMorgan Chase & Co. All rights reserved. 0903c02a81e20947