J.P.Morgan | Data Assets & Alpha Group

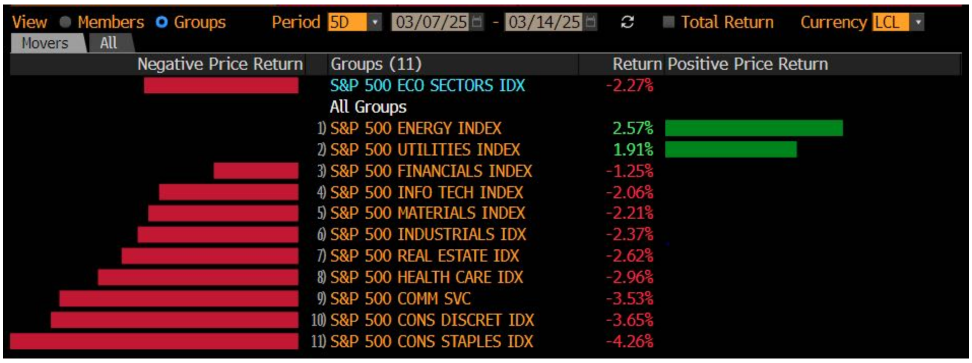
US MARKET INTELLIGENCE: MORNING BRIEFING

MARCH 17, 2025

TOP OF THE AGENDA

- **SPX -0.4%, NDX -0.4%, RTY -0.6%.** WTI +109bps at $67.91, NatGas +129bps to $4.16, UK NatGas -145bps to £1.0238, Gold +30bps to $2,993, Silver -9bps to $33.77, 10Y @ 4.285%, and VIX @ 22.50.
- **US:** Futs are lower to start the week as the market digests trade war news and the Trump Put remains absent. RU/UKR ceasefire news is having a muted impact. Pre-mkt, Mag7 names are all lower ex-NVDA, and most Semis are under pressure. Bond yields are lower as the curve bull flattens and the USD is flat. Cmdtys are bid higher led by Ags and Energy. Today's macro data focus is on Retail Sales where a stronger number may give the market comfort in trying to create a relief rally and the Fed on Weds could be supportive too.
- **EMEA:** Major markets are mixed with France/Germany lagging. Top baskets are GLP-1, Alt Energy, Aero/Def with Luxury the biggest laggard. Vol/Value are leading, Quality is lagging; Defensives over Cyclicals. UKX +0.1%, SX5E -0.0%, SXXP +0.3%, DAX -0.1%.
- Additional color from **International Market Intel** is here.
- **US MACRO DATA:** Empire Mfg and **Retail Sales** at 8:30am ET. Business Inventories and NAHB Housing Market Index at 10am ET.
- **US EARNINGS:** BCAT, HIT
- **GLOBAL MACRO DATA:** (Canada) Housing Starts at 8:15am ET.
- **US MKT INTEL** turned **tactically bearish** (here); *initially published on March 4, 2025.*
- **US MKT INTEL'S** ***Week Ahead*** is here.
- **JPM RESEARCH MACRO PUBLICATIONS**: A copy of the JP Morgan Economics team's ***Global Data Watch*** can be found here (Kasman, et. al. Mar 14). A copy of JPM US Economics team's ***US Weekly Prospects*** can be found here (Feroli, et. al. Mar 14). A copy of the ***US Fixed Income Markets Weekly*** can be found here (Barry, et. al. Mar 14). A copy

of the ***Treasuries Weekly*** can be found **here** (Barry, et. al. Mar 14). A copy of the ***TIPS Strategy Weekly*** can be found **here** (White, et. al. Mar 14). A copy of ***The Week in Commodities*** can be found **here** (Kaneva, et. al. Mar 14). A copy of ***FX Markets Weekly*** can be found **here** (Chandan, et. al. Mar 14).



Source: Both charts sourced from Bloomberg

MARKET SUMMARY

EQUITY AND MACRO NARRATIVE: Last week, the SPX fell 2.3% its fourth consecutive weekly loss and the index sits 7.8% below its all-time highs. NDX underperformed on the week, dragged by Mag7, though Semis outperformed as did the RTY. The 10Y yield moved up 1bps with DXY flat. Commodities added 11bps and marks the 5th weekly gain out of the last 6 weeks, adding 2.7% to the BCOM Index. The drivers continue to be a combination of positioning, including factor unwinds, trade and economic uncertainty, valuation, and a broadening of the rally to international Equities. Also, given the absence of both a Trump Put and a Fed Put, markets have declined very rapidly stoking hopes for an equally aggressive bounce.

THIS WEEK

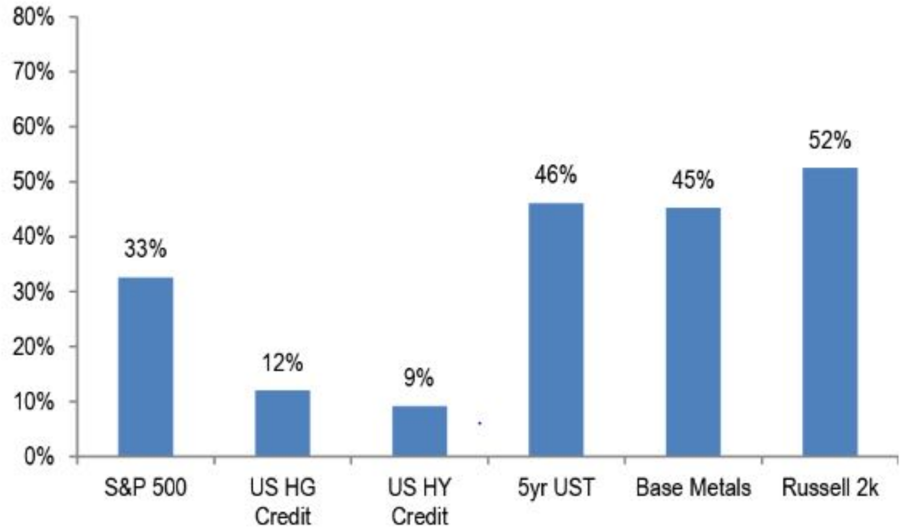
- **FEROLI'S FORECAST** – On Friday, **Mike** cut his FY real GDP forecast form from 1.9% to

1.6% (Q4/Q4) while increasing his inflation forecast by 0.2%-pts to 3.0% (Headline CPI; 3.3% Core), with much of the impact felt in 25Q2. Next, he sees unemployment at 4.4% up from 4.2%. Lastly, he maintains his call for 2x rate cuts (full note is here).

- **RATES VIEW** – **Jay** is neutral on bond right now, pointing to rising term premium that is making Treasuries unattractive for global investors. Further, he mentioned stretched positioning due to longs. He also mentioned that trade war developments are skewing to higher inflation expectations.
- **DOLLAR VIEW** – **Meera** and team turn outright bearish on the USD for the first time since 2021 driven by (i) tariff uncertainty; (ii) worse than expected US econ activity; and (iii) a monumental shift in German / EU fiscal policies and geopolitical shift.
- **OIL VIEW** – WTI broke a 7-week losing streak, gaining 21bps to close at 67.18. German/EU fiscal spending is likely to ramp demand while any increase in US recession risk will create a headwind for prices. In the very near-term we may see prices range-bound.
- **LAST WEEK'S MACRO DATA** – helped assuaged stagflation concerns as JOLTS indicated a still healthy, and improving, job markets while the inflation data (CPI/PPI) pointed to the disinflation trend resuming. That said, the Univ of Michigan survey pointed to worsening conditions with higher inflation.
- **THIS WEEK'S DATA** – The key points are Retail Sales and the Fed press conference. A stronger Retail Sales number would help build confidence in the strength of the economy which will presumably be corroborated by Powell. Both may be necessary for Equities to stage a rally.
- **FED DAY** – While the Fed is unlikely to change its policy, we expected Powell to reiterate his message from Mar 7: there is econ/policy uncertainty, but the economy remains on solid footing such that the Fed has time to evaluate these changes. On Mar 7, the SPX saw ~1.8% reversal to close up 0.55%. NDX / SOX outperformed and EEM / Mag7 / RTY underperformed.
- **CREDIT vs. EQUITIES** – The recent Equity market sell-off has returned the Recession/Stagflation narrative. If one were anticipating zero or negative growth in 25H1, that seems a bit premature given the economy had averaged 2.9% real GDP over the last 2.5 years. Despite the market's performance, 24Q4 earnings were strong with 5% revenue growth and 13% earnings growth, both beating expectations. Cash levels remain elevated pointing to more a slower deterioration in corporate balance sheet in the event of a prolonged economic slowdown. **Nikos** does a deep dive into recession probabilities by asset class with results charted below (full note is here).

Figure 1: Implied probability of US recession across asset classes as of March 11th

See text for details.



Source: Bloomberg Finance L.P., J.P. Morgan Flows & Liquidity.

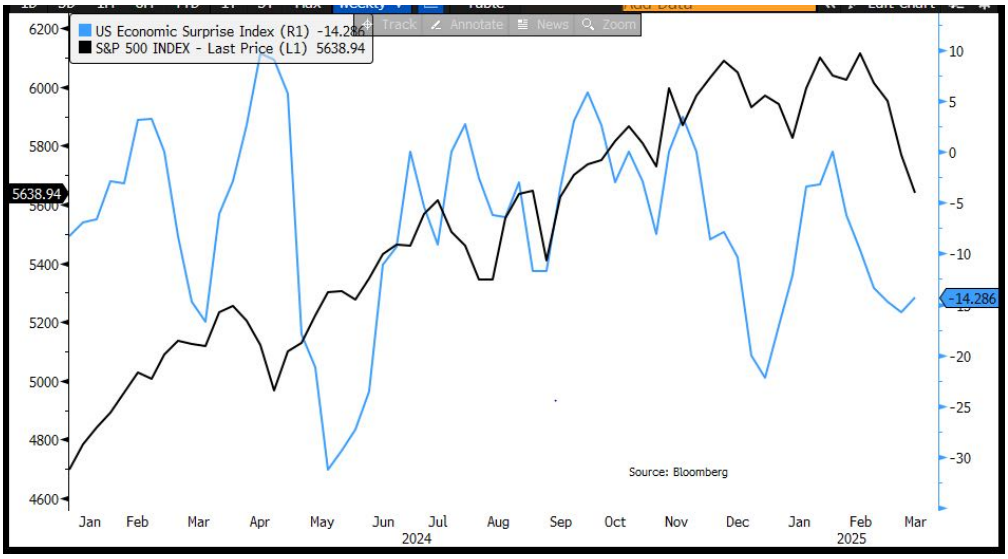
- **US MKT INTEL VIEW** – So far, our call for a bounce, albeit one that should be faded, did not materialize last though the broad-based rally on Friday, positive seasonality, light positioning, and the probability of macro data/Powell reducing recession fears may be enough to trigger a near-term gain. Further, month-end/quarter-end rebalancing should proceed ~$135bn of Equities to buy. Regarding seasonality, March is typically a positive month for the SPX and Mar – May is the second strongest 3-month period of the year; NDX seasonality is also positive with the VIX seasonality being negative. March is typically the second worst month of the year for VIX, typically falling 5 points. That said, Bessent's comments on Sunday flag (i) little concern for recent Equity performance and (ii) his inability to rule out a recession as the outcome of the Administration's policies. This seems to suggest that a Trump Put for Equities does not exist or that the strike is materially lower than current market levels. Irrespective of how the next 2 weeks play out, we **remain tactically bearish** as we anticipate April 2 being the next phase of the trade war and not clearing event. We think US tariffs will result in swift retaliation which likely brings an escalation until new deals can be worked out.
  - **TARIFFS TEMPORARY OR PERMANENT** – this is a question that continues to arise in client conversation. Right now, the market is positioned as though tariffs will be removed sometime in the next few months. We are less sanguine on the outlook, believing that we see tariffs in place into/through 25H2. Right now, we have yet to see our Prime clients materially cutting their longs. A shift in thinking, from temporary to

permanent would be a negative catalyst for US risk assets.

- **IS INT'L EQUITY OUTPERFORMANCE GOING TO REVERT?** In the very near-term, we think any bounce will be led by MegaCap Tech and Cyclicals with NDX outperforming SPX. In this scenario, European and Chinse Equities may underperform but we think they still perform positively and do not foresee significant profit-taking or a rotation back to the US.
- **IS THERE A LEVEL THAT YOU WOULD BUY THE SPX?** It may not be a level so much as a time period. This market, and the economy, need a crystal clear understanding of the tariff policies. One thing to consider is Services-based tariffs on the US as part of an escalation, which would likely target financial services and consulting firms.

- **MONETIZATION MENU** – We still hold the barbell (with reduced Mag7/Semis exposure) and are looking to add to our International exposure. We like DM Europe, China, Mexico, and Brazil as for international exposure. If we see the macro data miss to the downside this week, we will move to get more defensive which would reduce our TMT exposure in favor of Healthcare, Staples, Treasuries, and IG Credit; plus, we will likely add the JPM Defensives basket (JPAMDEFN Index).

JPM US ECON SURPRISE INDEX vs. SPX



***POSITIONING INTEL – Weekly Wrap* | In Search of Stability...Gross Lev Starts to Fall as Perf Improves**

SUMMARY: After a few challenging days at the end of last week and start of this week, HF fortunes improved a bit and gross flows reverted from large de-grossing to some gross additions in the past 3 days.

HF performance is -2.3% MTD (globally). More dramatically, we estimate that **N. Am. returns for market neutral Multi-Strats improved from -3.2% MTD as of Mon to -0.7% MTD as of Thurs.** N. Am. L/S funds are down ~3.5% MTD & -2.8% YTD, which is about half the decline in the SPX. EMEA and APAC returns are close to flat, as are Quant Equity returns globally MTD.

While it's hard to argue that much gross has been actively cut cumulatively in the past few weeks (despite sharp de-grossing for a few days), it's notable that **HF gross leverage is starting to fall**. All Strategies gross lev fell 7.4% WoW (91st %-tile on 12m basis and 98th %-tile on 5yr), while net leverage fell another 3.4% WoW (55th %-tile on 12m basis and 46th on 5yr). Among Equity L/S funds globally, gross lev fell 5.5% WoW to 72nd %-tile over last 12m and last 5yr), while net was about flat WoW.

The fact that gross leverage has been able to decline in the past few days is a sign that HF performance is healing. However, the lack of more significant de-grossing flows does suggest it's not clear whether the coast is clear.

One thing to note is that the **recent divergence between Equity L/S gross leverage at highs, while nets more moderate does not appear to be a great set-up for future market returns** over the next few months (though sample size is very small). I.e., the 3 times we've seen similar divergences were in mid-2018, early 2020, and early 2022.

That being said, there are **some reasons we could bounce in the near term due to depressed positioning**:

- **The aggregate level of US positioning is somewhat low:** Our US Tactical Positioning Monitor shows the 12m z-score at about -2z and the longer term metric is down to -0.6z or the 20th %-tile since 2015 (the longer-term level is similar to lows seen in the early part of the drawdown in 1Q22 as well as Oct '23, but well above very low levels in 1Q16, 4Q18, 1Q20, 2/3Q22).
- **HF net leverage has fallen by 2z over both the last 4wks and last 8wks** when looking across All Strategies. This has often been followed by a near-term bounce, but the medium term outlook is still mixed.
- **CTA positioning in US equities appears to be net short (in line with late Oct '23 lows)** and just the 15th %-tile since 2002

Outside the US, the HF de-grossing in **Europe** has eased in recent days, though still a -1.8z event over the past 5d. In addition, HF net flows are starting to turn more negative in Europe. However, the **most**

negative net flows in the past week were in HK stocks (-3z net selling) as performance came off recent highs.

RETAIL SALES PREVIEW – Feroli's full note is here

We [**Feroli** & team] anticipate retail sales increased by 0.5% m/m in February, with both ex-auto sales and the control group (excluding food services, autos, gas, and building material stores) advancing by 0.2% m/m. Retail sales in building materials and motor vehicles and parts likely supported the headline. Although employment in building material stores declined in February, improved weather conditions could support growth in this category. Unit auto sales in February partially recovered from the significant drop in January, which was driven by colder-than-usual weather and wildfires that suppressed demand, as well as likely some hangover from 4Q front-loading. However, our auto equity team notes that declining consumer sentiment and softening demand towards the end of the month contributed to a lower-than-expected print on US light vehicle sales for February.

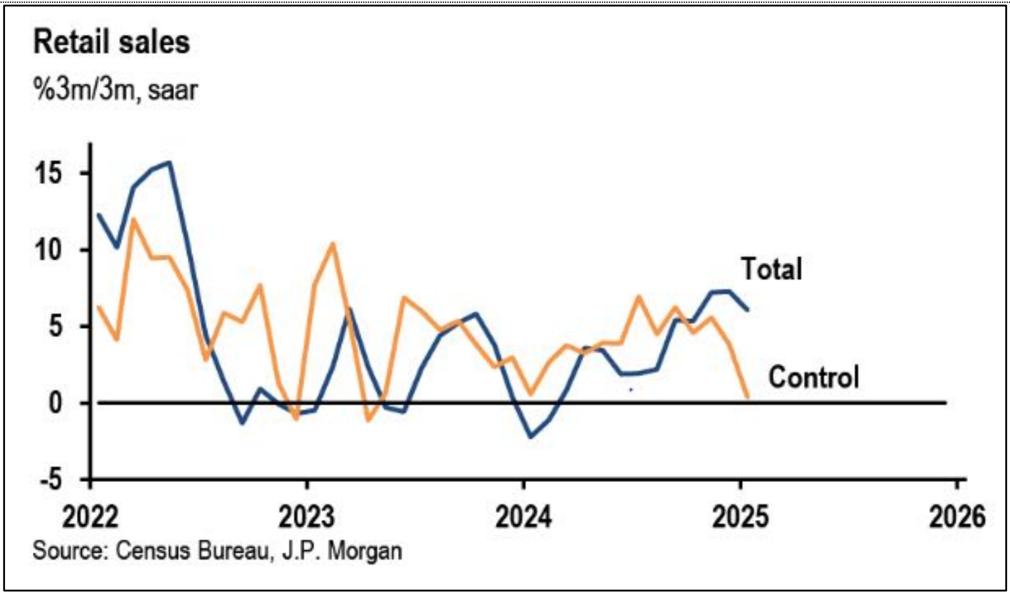
Employment across food services and drinking establishments declined in February, which could suggest a softer retail sales print in this category, following the largest one-month rise since November 2023. The Chicago Fed CARTS indicator, which incorporates high-frequency data on retail transactions, foot traffic, gasoline sales, and consumer sentiment, is currently indicating a 0.8% drop in ex auto sales, which could present some downside risk to our +0.2% forecast, which in part leverages the signal from our Chase card data. The card data point to a 0.2% increase in control retail sales. Such a rise would be relatively small in light of a 0.8% decline in the prior month.

Retail sales
%m/m, sa

	Nov	Dec	Jan	Feb
Total	0.7	0.7	-0.9	0.5
Ex autos	0.1	0.7	-0.4	0.2
Ex autos and gas	0.0	0.5	-0.5	0.2
Building materials	-0.7	-1.6	-1.3	0.9
Vehicle dealers and parts	3.1	0.9	-2.8	1.9
Gasoline stations	0.2	2.1	0.9	-0.3
Food services	0.5	0.1	0.9	0.0
Control group[1]	0.1	0.8	-0.8	0.2
Ex. autos and building mat.	0.2	0.8	-0.4	0.1

1. Total ex. gasoline, automotive dealers, building materials, and food serv.

Source: JP Morgan Economics



UPDATE ON THE CONSUMER

Our most recent Consumer Cash Pile note found that the aggregate consumer still has a significant amount of cash, and while it likely skews to the upper income brackets, we found that lower income brackets still have more cash (checking, savings, and MMF) relative to pre-COVID on an inflation-adjusted basis. That said, there are cracks within the consumer base which would be exacerbated by an economic downturn. Recent data points to a thriving upper class, resilient middle class, and an increasingly struggling lower class that appears to need increased government assistance at some point.

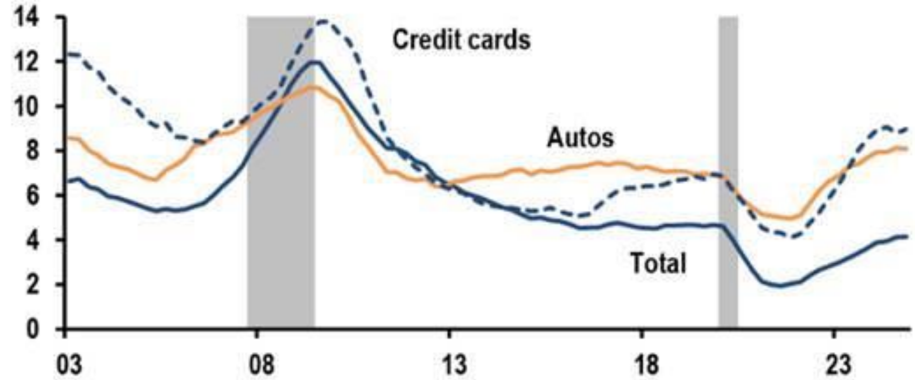
- **CONSUMER CREDIT UPDATES (VIVEK JUNEJA; here)** - 1) government student loan delinquencies are rising, albeit choppy; 2) FHA residential mortgage 30-89 day delinquencies up sharply to 9.0%, and well above 2012-19 levels of 5-7.6%; 3) Freddie Mac 30+ day residential mortgage delinquencies rising but 90+ day delinquencies up just a tad and still very low; 4) credit card delinquencies have been flattening and increase in NCOs slowing but this is a lagged data point; and 5) auto delinquencies and NCOs are slowing - these should benefit from tariffs initially but loan volumes may decline with higher tariffs, also a lagged data point.
- **HIGHER-INCOME HOUSEHOLDS –** Higher-income households continue to show strong growth in spending despite recent deterioration given the growth in wages and wealth effect from rising equity values. WSJ article (here) suggests that the top 10% earners (households making above $250k a year or more) now account for 50% of all spending, a new record high since 1989. BoA Consumer Checkpoint data (here) suggests that spending growth for higher-income households has been stronger, +2% YoY. On checking and savings deposit balance (cash pile), while all income cohorts are above pre-pandemic levels, we saw a decline over the

past year.

- **STUDENT LOAN DELINQUENCY** – The Education Department data shows that one in five people who are supposed to be making payments on their federal student loans are more than 90 days past due, nearly double the percentage of delinquent borrowers since the pandemic hit and the government paused payments, per Washington Post. What is the impact of resuming student loan payment to consumption? JPM Econ (here) estimates that if repayment returns to their trend line, that would be $40bn annualized in additional loan payment, or about 16% of the expected increase in annualized consumer spending. If we assume all of that hit to consumer spending in 25Q1, real PCE growth would be reduced by 0.75%.
- **SPENDING DATA (CHRISTOPHER HORVERS)** - "As we mentioned, it's been an awful month for retail stocks. In the great debate of weather vs. consumer uncertainty, we peeled apart the Chase data and the good news is that there is definitely a weather headwind in Jan and Feb, which supports acceleration from weaker current trends that the market is capitalizing going forward. Broadly, this suggests our most weather sensitive names, especially heavily shorted names like LOW and TGT, see comp acceleration and rebound given we are at peak uncertainty. The bad news is there is clearly an impact from all the noise. Indeed, see the two charts at the bottom of the script we sent out on how the big states around Washington DC have seen material underperformance in terms of discretionary spending relative to their region and nationally."
- **QUOTES FROM Q4 EARNINGS**
  - **DELTA AIRLINES (DAL) –** "Our consumer is a household making $100,000 or more, which by the way, represents 40% of the households in our country. So, it's not necessarily the latest definition. And they make up clearly well over 90% of the revenues coming to Delta. If you look at the wealth that that cohort has accumulated over the five years post-COVID, it's in the tens of trillions of dollars and it's more than doubled made close to triple, I believe from the chart in terms of what their ability."
  - **DOLLAR GENERAL (DG) –** "Our customers continue to report that their financial situation has worsened over the last year as they have been negatively impacted by ongoing inflation. Many of our customers report that they only have enough money for basic essentials with some noting that they have had to sacrifice even on the necessities. As we enter 2025, we are not anticipating improvement in the macro-environment, particularly for our core customer."
  - **WALMART (WMT) –** "U.S. customers remain resilient, exhibiting behaviors that have been largely consistent over the past year."

Figure 1: New delinquent (30+ days) balances by loan type

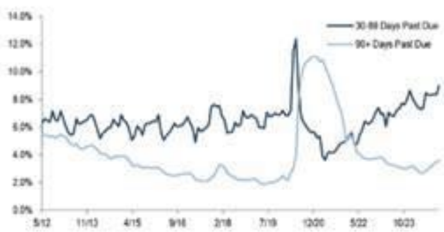
% of current balance



Source: FRBNY Consumer Credit Panel, J.P. Morgan

Figure 14: FHA 30-89 Day Delinquency Ratios Are At Highest Level (ex-COVID) Since 2012

FHA single family loans, delinquency ratios



Source: US Department of HUD/FHA. Data through November 2024.

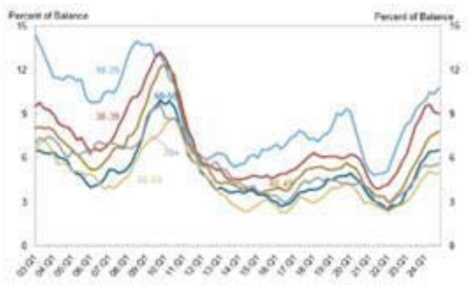
Figure 15: Fannie and Freddie Residential Mortgage 90+ Day Delinquency Ratios Remain Low But Freddie Early Delinquencies Rising

Single family residential mortgage delinquency ratios

Source: Fannie Mae and Freddie Mac. Data through January 2025.

Figure 17: Credit Card Delinquencies Varied Sharply by Age Group ...

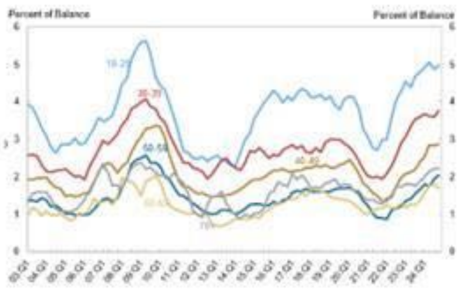
Credit card 90+ day delinquencies, 4 quarter moving sum



Source: New York Fed Consumer Credit Panel/Equifax. Data through 4Q24.

Figure 18: ... As Have Auto Delinquencies

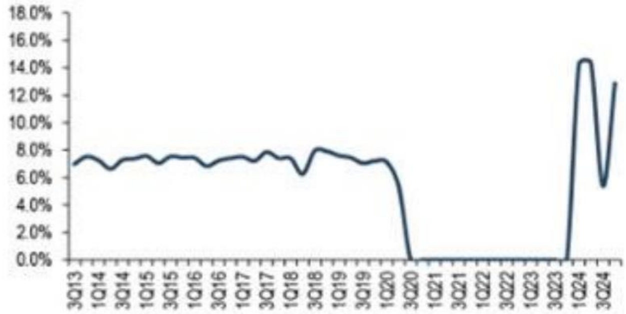
Auto 90+ day delinquencies, 4 quarter moving sum



Source: New York Fed Consumer Credit Panel/Equifax. Data through 4Q24.

Figure 7: Delinquency Rates On Federal Student Loans Have Soared With End of Grace Period

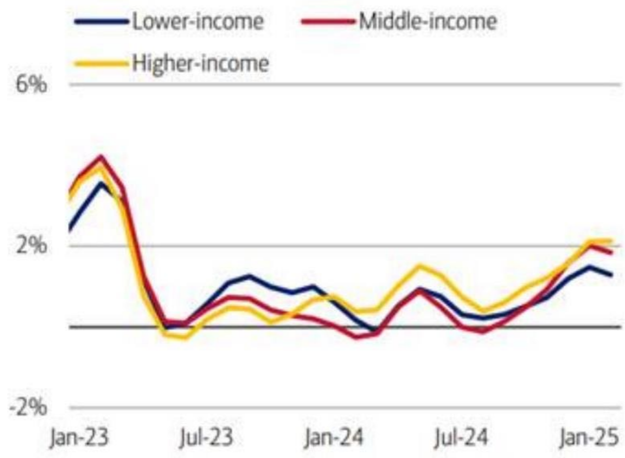
Federal direct loan portfolio, share of loans 30+ days delinquent



Source: National Student Loan Data System and J.P. Morgan calculations.

Exhibit 5: Spending growth for middle- and higher-income households has been stronger, up around 2% YoY, while it has lagged slightly for lower-income households, up nearly 1.3% YoY

Total credit and debit card spending per household, by household income terciles (3-month moving average, YoY%, SA)



Source: Bank of America internal data

BANK OF AMERICA INSTITUTE

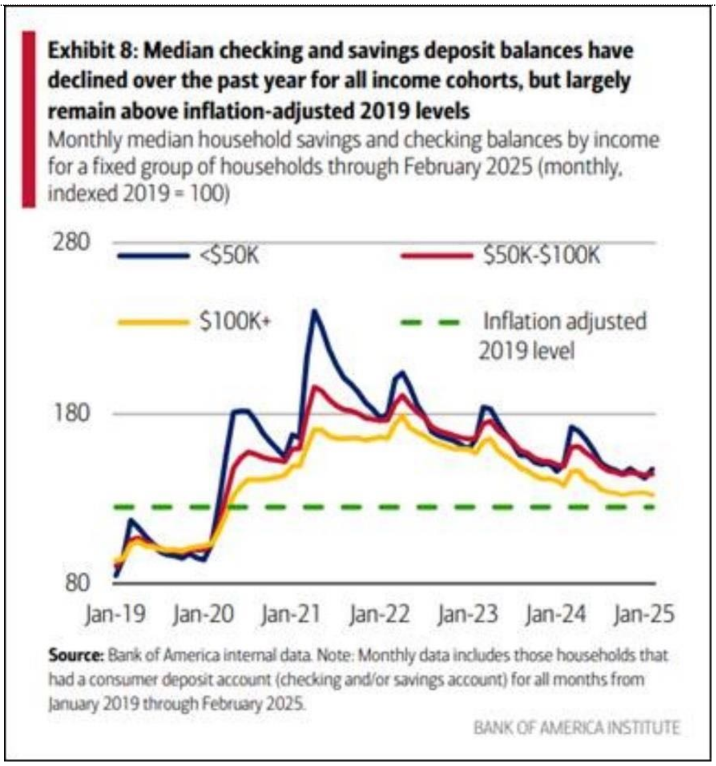


Exhibit 8: Median checking and savings deposit balances have declined over the past year for all income cohorts, but largely remain above inflation-adjusted 2019 levels

Monthly median household savings and checking balances by income for a fixed group of households through February 2025 (monthly, indexed 2019 = 100)

Source: Bank of America internal data. Note: Monthly data includes those households that had a consumer deposit account (checking and/or savings account) for all months from January 2019 through February 2025.

CREDIT FUNDAMENTALS

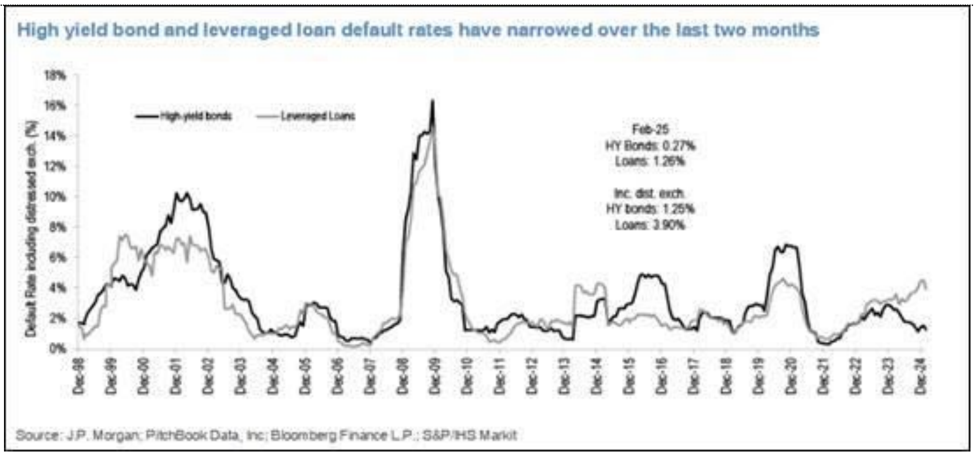
- Below came from Mislav's Earnings Tracker (here): With over 90% of SPX companies having reported, EPS growth for these companies is at +13% YoY, surprising positively by +7%; top-line growth is printing at +5% YoY. Sectors with the most robust delivery are Discretionary, Financials, Communication Services, and Healthcare, while Energy and Materials lagged. We also started to see the broadening of the earnings growth: with the difference between Mag 7 and SPX 493 now at 20% vs. 30% in 24Q3 and 56% in 23Q4. The broadening in earnings growth is in general positive for credit fundamental given the relatively lower weighting on Tech vs. SPX.
- On HY, **Nelson** (here) tells us that default/LME activity was light in February, registering the lowest default/distressed exchange volume during a calendar month since December 2022. YTD, the total default/LMEs volume is $6.0bn vs. $15.9bn in the first two months of 2024. Overall, despite macro uncertainties, the team sees improvement in YoY default rate for HY and LL: the team expects default rate to fall to 1.25% and 2.75% in HY and LL, from 1.5% and 4.5% in 2024.
- **HYG TRADING COLOR (YUKI YANG)** - HYG (iShares iBoxx HY Corp Bond ETF) hit a record breaking ATH volume today on listed options with 1.81mm contracts trading (14B notional). The last highest volume day this ticker saw was in Jun 2022 – back when we were in the

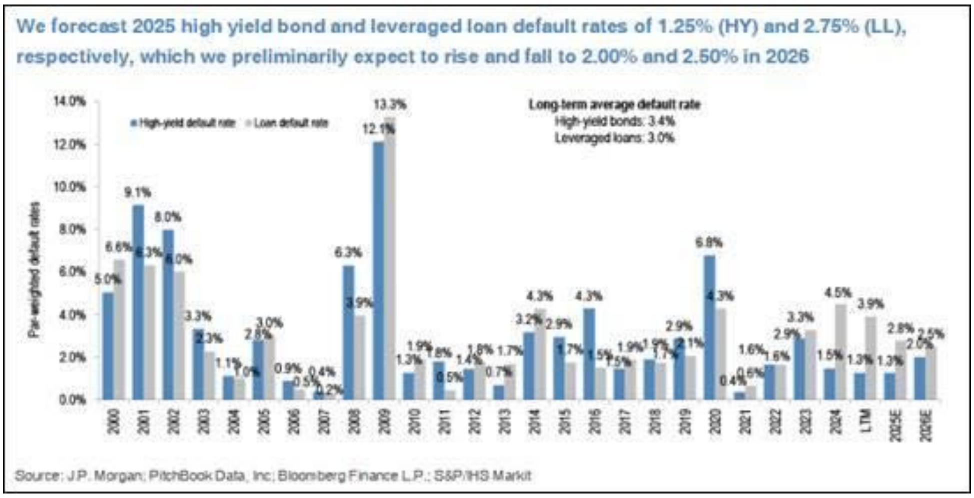
middle of a hike cycle narrative. What started out as a lot of tourist flow/non specialist questions on credit (Why is credit lagging equity selloff so much, how much systematic derisking is going through CDX, etc) has turned into massive downside buying over the past two weeks. Almost all the flow is focused on downside with buyers of puts outright, put spreads, and put spread collars. Both non-credit and credit customers are trading and putting on sizable risk in options – we are seeing this in both HYG and CDX HY. In HYG, every flavor of put spread is trading – high payout 2-3pt spreads to longer dated wingy 30-10d spreads, and notably a massive amount of 77-XX put spreads have been lifted in the market today (160k HYG May 77 P, 137.5k HYG Apr 77 P trading) and yesterday. Vols are expensive relative to HYG cash spreads on a historical basis, but it's partly due to the lesser supply recently as credit vol accounts and dealers have been covering/tightening up downside shorts on the equity selloff in the past weeks. To me - feels like we are at an inflection pt here - all about the push pull of credit fundamentals vs. equity weakness and unwind momentum. Personally, I'd like to see a lot more relief in equities before I can assume we are out of the woods – hard to get excited about 0.50-1% intraday rallies in SPX when we continue to make successive lows. Plus, rates just can't seem to hold a rally which opens more scenario for rates higher + spreads wider. Broader color from more of my credit colleagues below – please reach out to discuss.

Table 1: S&P500 Q4 '24 earnings summary

	No. of cos reported / Total	% reported	% cos beating EPS estimates	% cos Missing EPS estimates	EPS surprise	%yoy EPS growth	% cos beating Sales estimates	% cos Missing Sales estimates	Sales surprise	%yoy Sales growth
S&P500	**453 / 499**	**91%**	**75%**	**18%**	**7%**	**13%**	**55%**	**27%**	**1%**	**5%**
Energy	21 / 22	95%	75%	20%	7%	-27%	57%	33%	4%	-2%
Materials	27 / 28	96%	74%	19%	8%	3%	33%	48%	0%	-2%
Industrials	75 / 78	96%	77%	19%	-1%	-8%	39%	41%	0%	-3%
Discretionary	40 / 50	80%	83%	13%	15%	31%	65%	15%	1%	7%
Staples	27 / 38	71%	70%	19%	3%	3%	59%	26%	1%	2%
Healthcare	59 / 61	97%	75%	19%	5%	13%	71%	10%	1%	9%
Financials	71 / 73	97%	86%	13%	14%	22%	57%	27%	1%	8%
IT	57 / 68	84%	79%	16%	4%	15%	67%	9%	1%	12%
Com. Services	19 / 19	100%	79%	21%	8%	31%	47%	26%	0%	7%
Utilities	27 / 31	87%	52%	33%	0%	14%	33%	67%	-9%	-1%
RealEstate	30 / 31	97%	47%	27%	5%	15%	67%	13%	2%	9%
Ex-Financials & Real Estate	**352 / 395**	**89%**	**75%**	**19%**	**6%**	**11%**	**54%**	**28%**	**1%**	**5%**
Ex-Energy	**432 / 477**	**91%**	**75%**	**18%**	**7%**	**16%**	**55%**	**26%**	**1%**	**6%**
Cyclicals	**199 / 224**	**89%**	**78%**	**17%**	**5%**	**12%**	**51%**	**28%**	**1%**	**5%**
Defensives	**132 / 149**	**89%**	**70%**	**22%**	**5%**	**17%**	**58%**	**27%**	**0%**	**6%**

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





CENTRAL BANK PREVIEWS

- **FED (MARCH 19; Mike Feroli's note is [here](#))** – At the conclusion of next week's FOMC meeting we and consensus look for no change in the funds rate target of 4.25-4.5%. We expect that the post-meeting statement will note moderating growth but stay away from discussing trade-related risks to the outlook. We look for the statement to continue to note that growth and inflation risks are "roughly in balance" and that they are considering the "extent and timing of additional adjustments" to the funds rate. In the Summary of Economic Projections (SEP) we expect that median GDP growth expectations for this year will be revised down and for core PCE inflation will be revised up. Given this, we expect no change in the median interest rate forecast "dot" for this year, still looking for two 25-basis point cuts. We think there's a good chance the longer-run median dot could revise up an eighth to 3.1%, and we still see the '26 and '27 path gradually returning to this estimate of neutral. Last Friday Chair Powell likely gave a preview of the themes that will come up in the press conference. Namely, that they are not prejudging the outcome of trade deliberations and they don't need to be in a hurry to respond to these developments.

- The actual policy decision at next week's meeting appears obvious enough—no Fed speakers have been advocating a near-term change in policy. We expect no dissents to a decision to keep policy on hold. Turning to the statement, the January communique noted that "economic activity has continued to expand at a solid pace"; this looks a little upbeat compared to hard activity data and we think this could get revised to something like 'activity growth has moderated.' Monday's retail sales report could color the way this first sentence is worded. We look for no changes to the description of a solid labor market and somewhat elevated inflation. In the discussion of the outlook, we don't expect any explicit mention of trade policy. Even in 2019, when rates were cut in response to the US-China trade war, the statement only mentioned "global economic and financial developments." As the FOMC awaits greater clarity on government policy, we think they retain the risk assessment of "roughly in balance" and the forward guidance as "considering the extent and timing of additional adjustments" to the funds rate.
- We suspect that recent trade actions have been more aggressive than most FOMC participants assumed at the last forecast round in December. This, as well as a weaker tracking of 1Q, implies that the Committee's latest median growth expectation of 2.1% for this year looks a little optimistic by a few tenths and should be revised lower. We also think the 2.5% core PCE projection for this year is now looking too low and could get revised up by perhaps two tenths. The 4.3% unemployment projection might move up a tenth. We don't expect meaningful changes in the outlook for '26 and beyond, though growth could return to trend faster than in the December projections. The lower growth and higher inflation forecasts for '25 present a quandary for the Fed, though we expect the median participant will still look for two cuts this year. Governor Waller offered two to three cuts this year, though he has lately been drifting to the more dovish side of the center. Most other Fed speakers haven't expressed a big change in the outlook for policy this year. In the December SEP the median dot gradually returned close to the longer run dot over the course of '26 and '27. The longer run dot has been drifting higher since early last year. We don't think that process is done, and it is easy for the median to drift up another eighth next week to 3.125%.
- Fed Chair Powell has done a good job since Inauguration Day in staying out of the news cycle. We suspect he will hope this continues next week, mostly by avoiding offering particularly strong (or informative) views on trade, immigration, or fiscal policies. While market pricing for a May cut has been moving up lately, we think he will continue to say that the Fed doesn't need to be in a hurry.

- **BOJ (MARCH 19; Ayako Fujita's note is here)** – We [Ayako and team] expect the BoJ to keep the policy rate unchanged at next week's monetary policy meeting, in line with market consensus. The focus will be on the conditions for implementing an additional rate hike, a crucial factor in determining the timing of the next move. Governor Ueda is likely to outline these conditions during the post-meeting press conference. Since the January rate hike, communication from the BoJ regarding upside inflation risks has increased, which we interpret as a signal for a potential move earlier than the six-month base case. While the BoJ likely prefers a data-dependent approach, we expect they will provide guidance that could allow for a rate hike at the April/May meeting, as the earliest. Recent data indicate that Japan's reflation is progressing, even amid rising uncertainties in the global economy. In response to heightened awareness of upside inflation risks, the market has priced in a higher terminal rate since late January, pushing up 10Y JGB yields to over 1.5% and bringing USDJPY below 150. As the BoJ has long been perplexed by the market's skepticism on their rate hike policy, we believe that the BoJ views these moves as desirable. We have long expected the policy rate to reach 1.5% by end-2026, but we do not necessarily see this as the terminal rate. If the global economic cycle continues, the BoJ is likely to continue raising rates, and with an increased awareness of upside risks to inflation, such communication from the BoJ will also be forthcoming. In light of this background, we don't think the recent market movements will make the BoJ more cautious about rate hikes. The BoJ likely will continue expressing its intention to implement gradual rate hikes.
    - The new US administration's opposition to a weak yen may also support the acceleration of the BoJ's policy normalization. While this may not directly influence the BoJ's decisions, it at least reduces the likelihood of the BoJ being held back by domestic political pressure in its efforts to normalize policy. This could potentially lead to a slightly faster pace of rate hikes relative to their base case in the near term.
- **BOE (MARCH 20; Allan Monk's preview is here)** – We [Allan and team] look for the BoE to hold rates at 4.5% next week, in a 7-2 vote with 50bp dissents from Mann and Dhingra. There is a debate about whether both members will still want to argue for another 50bp cut at this meeting, but both continue to make arguments that would be consistent with this approach, notably Mann's recent comment from 6th March that "the founding premise for a gradualist approach to monetary policy is no longer valid". There has also been a separate debate this year about whether the MPC could speed up its quarterly pace of cuts or instead pause early. Events since February have not tilted clearly enough in either direction to change the outlook just yet. We hence look for a continued quarterly cutting pace, implying a hold next week. Employment indicators have been somewhat more mixed over the past week or so, but nevertheless remain weak. Our nowcast continues to flag a stall in job growth. We are, however, treating this with some caution at present because of the risk of an exaggerated

sentiment-driven move down due to tax increases announced in the Budget. The NI tax hike doesn't come into effect until April, and how the jobs data behave then will probably be the key test for the MPC

IN DATA

		PERCENT RETURN		
	LEVEL	1D	5D	YTD
SPX	5,638.94	2.1%	-2.3%	-4.1%
NDX	19,704.63	2.5%	-2.5%	-6.2%
R2K	2,044.10	2.5%	-1.5%	-8.3%
S&P 400 (MID CAP)	2,927.15	2.4%	-2.0%	-6.2%
S&P 600 (SML CAP)	1,279.85	2.5%	-2.7%	-9.1%
R2K - GROWTH	1,332.84	2.7%	-1.2%	-9.3%
R2K - VALUE	2,286.80	2.4%	-1.8%	-7.3%
R1K - GROWTH	3,715.72	2.6%	-2.6%	-8.1%
R1K - VALUE	1,826.98	1.8%	-1.9%	0.2%
RUSS MIDCAP	3,384.17	2.4%	-2.3%	-4.2%
		PERCENT RETURN		
	LEVEL	1D	5D	YTD
SPX	5,638.94	2.1%	-2.3%	-4.1%
COMM SRVCS	329.95	2.0%	-3.5%	-3.4%
CONS DISC	1,578.01	2.1%	-3.7%	-13.8%
CONS STPLS	866.37	0.3%	-4.3%	1.5%
ENERGY	681.00	2.8%	2.6%	4.0%
FINANCIALS	805.33	2.3%	-1.3%	0.1%
HEALTHCARE	1,685.83	0.8%	-3.0%	5.1%
INDUSTRIALS	1,107.38	1.8%	-2.4%	-0.7%
MATERIALS	539.41	1.3%	-2.2%	1.8%
REAL ESTATE	259.59	1.8%	-2.6%	1.4%
TECH	4,174.12	3.0%	-2.1%	-9.4%
UTILITIES	398.27	1.9%	1.9%	3.5%

Source: Bloomberg. *Data as of* *3/15/2025*

MEGACAP TECH STOCKS

	PRICE	%1D	%5D	%1M	%3M	%6M	%YTD
AAPL	$ 213.49	1.82%	-10.70%	-12.72%	-13.96%	-4.05%	-14.75%
AMZN	$ 197.95	2.09%	-0.65%	-13.44%	-12.97%	6.15%	-9.77%
GOOG	$ 167.62	1.75%	-4.63%	-10.30%	-12.42%	5.84%	-11.98%
MSFT	$ 388.56	2.58%	-1.21%	-4.87%	-13.13%	-9.76%	-7.81%
META	$ 607.60	2.87%	-2.89%	-17.52%	-2.06%	15.82%	3.77%
NFLX	$ 918.00	3.13%	3.02%	-13.28%	-0.09%	31.70%	2.99%
NVDA	$ 121.67	5.27%	7.97%	-12.37%	-9.37%	2.16%	-9.40%
TSLA	$ 249.98	3.86%	-4.83%	-29.75%	-42.70%	8.55%	-38.10%

Source: Bloomberg *data as of* *3/15/2025*

SECTOR & THEMES

For Information on the following Bloomberg Component from our JP Morgan Delta-One team and our other custom baskets, please contact D1_NA@jpmorgan.com.

Ticker	%1D	Pct Chg on Day (Z-Score)	%5D	%1M	%YTD	Chg Pct 2024
PURE Momentum (i)	+2.11%	1.35	+4.94%	-4.56%	+0.3%	38.37%
PURE Inflation Sensitive	+0.58%	0.87	+3.33%	+3.80%	+4.3%	-2.16%
PURE Commodities (i)	+0.27%	0.30	+2.12%	+6.50%	+8.6%	9.70%
PURE Beta (i)	+2.03%	1.35	+0.32%	-12.59%	-9.9%	-6.30%
PURE Res Vol (i)	+1.21%	1.03	+0.16%	-1.47%	+2.4%	18.87%
PURE Rates Sensitive	-0.22%	-0.24	-0.10%	-6.24%	-6.3%	13.33%
PURE Size (i)	-0.52%	-0.86	-0.23%	+2.36%	+7.5%	0.79%
PURE Growth (i)	+0.18%	0.32	-0.24%	-3.18%	+2.6%	3.20%
PURE Quality (i)	-0.82%	-1.20	-0.66%	-1.34%	-1.2%	4.10%
PURE Value (i)	+0.19%	0.29	-0.85%	+0.66%	-2.0%	-3.03%
Recession L/S (i)	-1.65%	-1.33	-1.17%	+3.93%	-0.8%	8.61%
Short Term Momentum	-0.37%	-0.28	-2.07%	-12.34%	-14.8%	9.76%
Crowding and Squ						
Crowding ex. TMT, HC, Consume	+3.49%	1.78	-0.23%	-11.75%	-2.2%	30.14%
Crowded Longs	+4.11%	2.07	-0.43%	-16.71%	-7.0%	43.08%
Healthcare Crowded Longs	+1.68%	1.39	-1.29%	-4.31%	+6.6%	2.79%
TMT Crowded Longs	+3.24%	1.81	-1.77%	-15.79%	-5.8%	45.99%
Potential Squeeze (i)	+3.31%	1.96	-2.47%	-6.96%	-2.5%	-18.98%
Consumer Crowded Longs	+1.80%	1.55	-3.11%	-12.12%	-7.7%	21.94%
Crowded Shorts (i)	+3.67%	2.09	-5.11%	-12.86%	-10.3%	-7.83%
Tariffs (6						
US Macro/Thema						
Quantum Computing	+14.36%	1.84	+18.07%	+0.25%	-15.5%	455.70%
Nuclear Energy	+4.60%	1.24	+3.93%	-22.60%	-9.0%	54.02%
High Retail Activity	+7.97%	2.75	+2.21%	-17.15%	-23.1%	18.15%
AI Data Centers & Power	+2.92%	1.32	+1.75%	-9.19%	-6.5%	39.20%
PURE Momentum Winners (i)	+4.88%	2.35	+0.71%	-14.42%	-7.4%	39.47%
Emerging Mkt Exposure	+2.23%	1.96	-0.40%	-3.97%	+1.4%	20.16%
AI TMT	+3.84%	1.85	-0.45%	-15.96%	-7.9%	38.23%
Government Efficiency (r)	+1.63%	1.15	-0.45%	-4.57%	-10.2%	15.40%
Infrastructure	+2.84%	2.03	-0.49%	-10.03%	-8.8%	15.41%
High Short Interest	+6.42%	2.51	-0.67%	-17.95%	-12.3%	2.96%
Cyclicals (r)	+4.66%	2.24	-1.17%	-19.22%	-12.3%	29.24%
Credit Laggards	+3.49%	1.94	-1.26%	-13.54%	-7.2%	7.00%
Inflation Winners	+3.12%	1.98	-1.28%	-12.50%	-5.0%	7.34%
Magnificent 7	+3.17%	1.63	-1.30%	-14.78%	-12.4%	60.86%
Stagflation Short	+2.38%	2.10	-1.49%	-5.77%	-1.9%	2.80%
Deregulation Agenda (r)	+2.92%	1.91	-1.56%	-11.79%	-6.3%	20.89%
Renewable Energy	+1.16%	0.58	-1.56%	-5.63%	-5.1%	-22.26%
Defensives (r)	+0.72%	0.93	-1.69%	+3.68%	+7.5%	3.93%
Recent IPOs	+3.69%	2.40	-1.79%	-14.69%	-12.9%	18.83%
Republican Long	+2.42%	1.99	-1.83%	-7.81%	-4.2%	15.21%
Domestic Exposure (r)	+3.61%	2.29	-1.85%	-14.14%	-5.4%	22.04%
Domestic Manufacturing Tax Cu	+1.41%	1.44	-2.08%	-3.30%	-2.7%	7.80%
China Exposure (r)	+3.05%	1.82	-2.14%	-10.80%	-7.3%	7.26%
AI ex-TMT	+2.34%	1.66	-2.15%	-11.21%	-6.1%	29.82%
PURE Beta Winners (i)	+3.48%	1.73	-2.20%	-17.97%	-9.9%	10.94%
Rising Rate Winners (i)	+2.90%	2.24	-2.31%	-12.24%	-8.0%	23.84%
Rising Rate Laggards (i)	+2.78%	1.96	-2.36%	-7.54%	-1.2%	11.09%
Custom S&P ex-Mag. 7 (i)	+2.06%	2.36	-2.43	-6.37%	-.9%	13.99%
PURE Beta Laggards (i)	+1.45%	1.77	-2.44%	-5.91%	+0.3%	19.75%
Potential Squeeze	+3.31%	1.96	-2.47%	-6.96%	-2.5%	-18.98%
EU Exposure	+1.83%	2.18	-2.90%	-5.71%	-1.2%	7.23%
Meme Stocks	+7.35%	2.05	-2.90%	-25.61%	-14.4%	56.00%
Recession Laggards (i)	+3.83%	1.96	-3.05%	-15.03%	-8.8%	-1.81%
Republican Short	+1.84%	1.81	-3.14%	-7.70%	-5.2%	2.05%
Inflation Laggards	+2.48%	2.08	-3.32%	-10.97%	-6.7%	10.37%
US Housing (i)	+2.29%	1.70	-3.43%	-10.49%	-8.6%	12.65%
Tariffs Short	+2.76%	1.94	-3.93%	-11.25%	-7.1%	8.63%
PURE Momentum Laggards (i)	+2.76%	1.81	-3.96%	-10.21%	-7.6%	-0.85%
Recession Winners (i)	+2.18%	2.13	-4.00%	-11.17%	-8.5%	11.40%
International Exposure (r)	+1.26%	1.30	-4.01%	-3.45%	-1.0%	8.15%
Bird Flu	+0.75%	0.85	-4.89%	-2.39%	-1.8%	7.21%

NEWS LINKS

- Bessent Not Worried About Market, Calls Corrections Healthy (BBG)
- The Fed Is in Wait-and-See Mode. Investors Want Reassurance It Will Act If Needed (BBG)
- Traders Gauging Stock Market's Next Move Keep Wary Eye on Flows (BBG)
- Big Tech Stocks at Cheapest In Months Fail to Entice Wary Buyers (BBG)
- Chinese Stock Investors Embrace 'Xi Put' Just as Trump Roils US (BBG)
- Trump Expels Hundreds Under Enemies Act as Court Rebukes Law (BBG)
- It may be a good time for investors to look at less risky ways to stay in the stock market (CNBC)
- After such a relentless market correction, the relief rally faces a high burden of proof (CNBC)
- 'See you in four years': Canada flexes economic muscle as tariff negotiations continue (CNBC)
- Trump tariff threats are pushing Canada's largest oil producer to break its dependence on the U.S. (CNBC)
- Bessent says there are 'no guarantees' there will not be a US recession (RTRS)
- US consumer sentiment plunges on tariff fears, inflation expectations jump (RTRS)
- China looks to boost consumption amid consumer squeeze (RTRS)
- China should choose 'right timing and strength' for monetary easing, state media says (RTRS)
- Trump's New World Order Tests the Dollar (WSJ)
- Slumping Stocks Threaten a Pillar of the Economy: Spending by the Wealthy (WSJ)
- Big Retailers' Hardball Tariff Playbook: Haggle, Diversify, Raise Prices (WSJ)
- Judges Become Targets in Combative Political Environment (WSJ)

WEEKLY ECONOMIC DATA / EARNINGS

US CALENDAR

ECONOMICS

- **MAR 17** – Empire Mfg and **Retail Sales** at 8:30am ET. Business Inventories and NAHB Housing Market Index at 10am ET.
- **MAR 18** – Housing Starts, Building Permits, Import Price, Export Price, and NY Fed Services Business Activity at 8:30am ET. Industrial Production, Capacity Utilization, and Mfg Production at 9:15am ET.
- **MAR 19** – Mortgage Applications at 7am ET. **FOMC Rate Decision** at 2pm ET. TIC Flow at 4pm ET.

- **MAR 20** – Current Account Balance, Initial/Continuing Jobless Claims, and Philly Fed Business Outlook at 8:30am ET. Leading Index and Existing Home Sales at 10am ET.
- **MAR 21** – N/A

EARNINGS

JPM US Earnings Calendar here

US Analyst Focus List here

- **MAR 17** – BCAT, HIT
- **MAR 18** – KRMN, MRVI, SNDK, TRVI
- **MAR 19** – FIVE, GIS, SIG, TSVT
- **MAR 20** – ASO, **DRI, FDX**, JBL, LEN, **MU, NKE**, QUBT
- **MAR 21** – CCL, CKPT, LUNR

GLOBAL CALENDAR

- **MAR 17** – (Canada) Housing Starts at 8:15am ET.
- **MAR 18** – (Japan) Tertiary Industry Index at 12:30am ET. (Germany) ZEW Survey Expectations and Current Situation at 6am ET. (Eurozone) ZEW Survey Expectations at 6am ET. **(Canada) CPI at 8:30am ET.** (Japan) Trade Balance, Core Machine Orders at 7:50pm ET.
- **MAR 19 –** (Japan) IP (revision) at 12:30am ET. (Eurozone) CPI (revision) at 6am ET. (China) Loan Prime Rates at 9pm ET.
- **MAR 20 –** (Germany) PPI at 3am ET. (UK) Average Weekly Earnings, ILO Unemployment Rate, Claimant Count Rate, and Jobless Claims Change at 3am ET. (UK) Bank of England Bank Rate at 8am ET. (Japan) National CPI at 7:30pm ET.
- **MAR 21 –** (UK) Public Finances at 3am ET. (France) Manufacturing Confidence at 3:45am ET. **(Eurozone) Consumer Confidence at 11am ET.**

NEAR TERM CATALYSTS – CPI (Apr 10, May 13), ISM-Mfg (Apr 1, May 1), ISM-Srvcs (Apr 3, May 5), PMI-Mfg (Mar 24, Apr 23), PMI-Srvcs (Mar 24, Apr 23), NFP (Apr 4, May 2), PCE (Mar 28, Apr 30), Retail Sales (Mar 17, Apr 12). **FED DATES**: Mar 19, May 7. **FED MINUTES**: Apr 9 (for Mar 19 mtg).

POLITICAL CATALYSTS

- **APR 1 –** Federal agencies will report back to Trump on a number of tariffs study.
- **APR 2 –** Proposed date for reciprocal tariffs
- **APR TBD** – Trump may meet Xi in China as soon as April (SCMP)
- **JUN TBD** – Potential Trump-Xi Summit ("U.S., China Discuss a Trump-Xi Summit for June" WSJ)
- **OCT 18 – JCPOA** (Iran nuclear deal) is set to expire.

SELECT JPM RESEARCH – MARKET INTELLIGENCE IS NOT A PRODUCT OF RESEARCH

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- **CROSS-ASSET: THE JPM VIEWS (Bassi; March 7, 2025)** – Tactically cautious on risk assets with room for US underperformance on valuations and investor rotation to China/Europe; see further upside on China AI and tech complex; in DM rates turn neutral on Germany on fiscal impulse; in US bias for more Fed easing to be priced in 2H25 and 1H26; turn bullish on EUR/USD; move to UW EM Sovereigns and stay long gold. German fiscal "whatever it takes" plans and EU defense spending deliver a historic U-turn mitigating the cyclical concerns of the Euro area, giving a boost to Euro, upward pressure to long end German yields and support to European Equities, turn OW CE3 FX (PLN, CZK and HUF). China NPC's targets in line with forecast: 5% growth, 4% deficit, 2tn yuan expansion, 2% inflation, modest consumption support; China's reactions to tariffs are asymmetric, targeted, and constrained.

Table 1: Core recommendations by asset class

Equities	**Country:** OW Japan, **range bound US, turning positive on Eurozone**, Neutral UK. Prefer DM vs EM. **Sector:** OW Comm Services, Healthcare, Real Estate, **Aerospace & Defence**; Neutral Technology, Financials, Utilities; UW Materials, Cons. Disc. **Style:** OW Small cap; N Growth, Value; UW Quality.
Bonds	**DM Duration:** Long Euro duration; Neutral US and UK; Mild short bias in Japan. **EM Duration:** OW Thailand, India, Czechia, Turkey; UW Indonesia, Poland, Chile.
Credit	**US HG:** Modest narrowing. OW Financials, Insurance, Telcos, Autos, US Banks; UW Energy, Basic Industries, Yankee Banks, Retail and Technology. **Euro HG:** Modest Widening. OW single-A, non-cyclicals, Bank T2 and off-benchmark AT1; UW to BBBs and cyclicals. **EM: UW sovereigns**; UW corporates.
Currencies	**DM: Neutralize EUR/USD short. Bullish EUR/USD.** Bearish GBP, NZD, **USD** vs. JPY, Scandis.Unwind EUR / CHF shorts. **Stay short CHF/JPY in cash.** **EM:** MW with UW in EM Asia vs OW EMEA EM. Neutral LatAm majors.
Commodities	**Long:** Gold, Silver, and Platinum. **Short:** Oil, Industrial and Base metals.

Source: J.P. Morgan. New recommendations in bold.

- **EQUITIES (Dubravko; January 25, 2025) – *Idiosyncratic Momentum Crash, Rotation and Higher Dispersion, US Exceptionalism Intact:*** "The sell-off in the Long Momentum factor on Monday was a ~7 sigma event and the third-largest decline in 40 years (see Figure 1). This was triggered by a sharp decline in stocks tied to AI Infrastructure plays with S&P 500 Semis & Semi Equipment down 14% (6 sigma), S&P 500 Tech down 6%, JPM AI Datacenter & Electrification Basket down 14% (JPAMAIDE), see Figure 2. Despite this, the broader market decline was orderly rather than indiscriminate selling. Notably, 70% of S&P 500 stocks and most industries were up on the day. While the sell-off erased almost ~$1 trillion of market-cap from US Equities, we view the rotation and higher dispersion as healthy given equity crowding was becoming increasingly stretched and unsustainable. Earlier this month, we flagged elevated risk of a Momentum Crash when our crowding indicators reached new highs (see Figure 3). While we correctly anticipated the CPI print and the Treasury Secretary hearing as catalysts for the momentum unwind, we did not foresee the emergence of a smaller LLM player reshaping the discussion around AI infrastructure spending. Even after the sharp sell-off on Monday, the Momentum factor remains crowded, suggesting there is ample room for the leadership to continue broadening (see Figure 9). The following short-term catalysts could bring further two-way volatility for Momentum stocks: (1) Month-end rebalance could reinforce some of the recent momentum unwind; (2) MSFT, AAPL, META, and TSLA are on deck to report this week, see Earnings Scorecard; (3) Supportive commentary from the Street and companies at the epicenter of the sell-off; (4) Momentum has been increasingly loading into "higher for longer" thesis — any indication of reversal back to soft landing based on incoming data (e.g., FOMC, PCE / CPI, payroll) will pose further risk to Momentum; and (5) The risk of new sanctions and tariffs remains a significant wildcard."

- **EQUITIES (Mislav) – *March Chartbook:*** "Certain activity indicators are softening – consumer confidence, retail sales, services PMIs, among other, as is the performance of US Cyclicals vs Defensive sectors, and bond yields are lower – pages 6 and 7. The risk is of a broadening air pocket in activity, where more aggressive trade, immigration and fiscal consolidation policies could increase uncertainty, and ultimately affect payrolls. At the same time, CPI has been rather hot, which could constrain Fed's response. This in turn leads to curve flattening initially, as Fed is seen not to respond at first to data softness. Ultimately, the activity air pocket could lead to more forceful Fed support, drive the re-steepening of the yield curve, and bullish equity market behavior, likely in 2H, but not in the first instance. Defensives should be doing well in the interim. We have been arguing that there are clear differences from 2017 reflation template, and still think so. Starting positioning, policies sequencing and the pace of activity momentum, among other, are what is leading to digestion S&P500 phase this time around, contrasted to the uninterrupted S&P500 rally in 2017 – page 26. It is premature to believe that tariffs uncertainty has already peaked, and interestingly, even if not many sticks, the adverse impact on sentiment could still be the end result."
- **FIXED INCOME CROSS SECTOR (Barry; March 7, 2025)** – "Fixed income markets have been buffeted by growth, trade, and geopolitical shocks over the past week. We revise lower our interest rate and breakeven forecasts against the backdrop of increased recession risks and turn neutral on duration, but favor front-end inflation swap longs. We maintain our long gamma bias and stay positioned for narrower swap spreads and rising term premium. After

widening significantly, HG spreads are likely to stabilize from here. We are unenthusiastic about the prospects for significant compression in Agency MBS spreads."

  - **HG (E. Beinstein, S. Doctor, N. Rosenbaum, S. Mantri)** - HG bond spreads stabilized post near-record M&A supply. While spreads typically tighten post large supply days, uncertainty is very high currently given ongoing tariff talk and significant shifts in relative value for Eurozone investors.
  - **HY** (**Jantzen, T. Linares) -** High-yield bond spreads have widened 41bp over the past 3 weeks to a year-to-date high 339bp, whereas leveraged loan prices have consolidated $0.52 year-to-date alongside a declining forward curve. We believe HY spreads and loan prices are biased wider and lower, respectively, over the coming month(s) given vast macro uncertainty, weakening business and consumer sentiment, and tight valuations. That said we believe any further retrenchment in spreads will be limited by strong balance sheets, low credit risk, and attractive return prospects outside of a recession materializing.

- **FLOWS AND LIQUIDITY (Nikos; March 5, 2025) – *HAS THE UNWIND OF THE US EXCEPTIONALISM THEME GONE TOO FAR?: "***The significant increase in policy and economic uncertainty in recent months has until this week seen a relatively muted response in terms of market volatility. This is likely due to a combination of retail investors continuing to act as a backstop to drawdowns in Equities, as well as the fact leverage overall remains relatively contained and has thus far not served to amplify these shocks. The unwinding of the US exceptionalism trade looks rather advanced for DXY, 10y USTs vs Bunds and HSCEI vs S&P500. Crypto markets likely to remain under pressure over the near term."
- **HIGHLIGHTED RESEARCH (Azzarello; February 28, 2025) -** US Macro & Market Update

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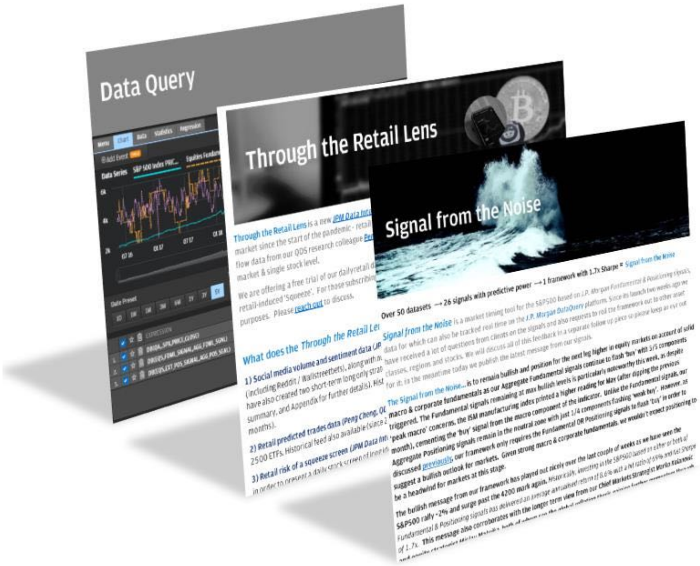

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Our data toolkit

By leveraging proprietary data and signals from our industry-leading Markets business, we utilize a combination of tools to inform our insights and trade ideas including equity market timing indicators, positioning, flows and sentiment. ***These toolkits are available to our institutional clients via written and audio content, automated daily emails and via API feed from the J.P. Morgan DataQuery application & Fusion platform.***

More details on our flagship datasets ***Signal from the Noise****,* ***Tactical Positioning Monitor****,* ***Through the Retail Lens, Strategic Index Fundamental Toolkit (SIFT)*** *and* ***Quantitatively Selected Themes (QUEST)*** *are shown below. Contact us here if you would like access to the datasets or to learn more.*

Signal from the Noise

Signal from the Noise reflects market timing signals for the US equity market (S&P 500) based on fundamental and (externally derived) positioning data. For the framework to be bullish on the S&P500, either the Positioning or Fundamental signals need to be flashing 'Strong Buy' (and likewise for a low conviction bullish view). The 'Strong Buy' strategy demonstrated an 8.6% annual return and 1.7x Sharpe ratio (69% per trade hit ratio) from 2010 to 2021.

Tactical Positioning Monitor

Tactical Positioning Monitor (TPM) reflects the level of broader positioning data. For the framework to be bullish on the S&P500, short-term positioning data points either need to be very light (-1.5z), or rising (+1.5z) but with markets below peaks. The strategy demonstrated an 8.9% annual return and 1.0x Sharpe ratio (69% per trade hit ratio) from 2015 to 2021.

Through the Retail Lens

Through the Retail Lens focuses on US retail trading activity and social media sentiment. The product combines proprietary and high frequency retail flow data from our *QDS Research* colleague *Peng Cheng*, with sentiment analysis of retail social media activity, at a market, sector, thematic basket, and single stock level.

Bull / Bear Buzz

Bull / Bear Buzz *data set shows market sentiment across web & social media sources, leveraging an extensive pre-defined 'bag of words' for market sentiment, and aggregated using big data techniques.*

Strategic Indices: Fundamental Toolkit (SIFT)

SIFT (Strategic Indices: Fundamental Toolkit) is a proprietary toolkit of 21,000 aggregate global equity indices with an extensive cross section of 46 different metrics including risk, valuation, debt, profitability, and investment, across each index from the 1960s – created by our colleagues in the *J.P. Morgan Equities Structuring team.* With its comprehensive metrics and long history, the database can be used for a variety of investment analyses for the market, sectors & factors.

QUEST (Quantitatively Selected Theme)

QUEST (Quantitatively Selected Themes) is a proprietary NLP-based JPM toolbox used for identifying & screening for topical and structural investment themes in the market – created by our colleagues in the *J.P. Morgan Equities Structuring team*, in partnership with the *J.P. Morgan Chief Markets Strategist team*. The database is comprehensive and customizable, and allows clients to screen for themes at a granular level across a wide universe of stocks.

Access all of this and more through J.P. Morgan's *DataQuery* application and *Fusion*

platform.

DataQuery application allows investors to develop, back-test and validate new investment ideas with 500+ datasets, integrated analysis tools, and advanced analysis & visualization. The application offers an extensive data history, broad asset coverage and integrated analysis and visualization tools.

Fusion delivers end-to-end data management and reporting solutions, enabling investors to leverage the power of clean, interoperable data to maximize operational efficiencies. The platform allows clients to seamlessly integrate and combine data from multiple sources into a single data model that delivers the benefits of scale and reduced costs, along with the ability to more easily unlock timely analysis and insights.