J.P.Morgan | Data Assets & Alpha Group

US MARKET INTELLIGENCE: MACRO WEEK AHEAD

WEEK OF MARCH 17, 2025

CALENDAR

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.

HIGHLIGHTS FROM THE DATA ASSETS & ALPHA GROUP

***POSITIONING INTEL: Tactical Takes* | Where are we? (latest on Momentum, crowding, and de-grossing)**

With HF performance rebounding a bit yesterday (and looking positive again today), here are some details on what we've seen lately.

Summary: HF performance started to recover on Tues as momentum / crowding performed much better. **HF crowding has seen sharp declines in the past month that are getting close to some of the worst we've seen in the past few years in both N. Am. and EMEA.** These would suggest much of the move could be over. However, gross flows have not shown nearly as extreme a move (beyond 1wk de-grossing in EMEA that is very large). Gross leverage remains elevated, but starting to tick lower. Hence, there could be risks if we either continue to sell-off (could hit L/S funds that haven't yet sold that much long risk) or if we rebound quickly (could hit Quants who have added gross from a flow perspective to maintain target leverage, but might have to reverse that if markets rally fast, especially if led by shorts). **The "best" scenario might be a steady recovery in market & HF performance and decline in volatility that allows for further risk adjustments.**

From a net perspective, CTA net risk in US equities is back near levels last seen in Oct '23, though above lows we saw in 2022. A lot of the net selling seems to be happening in futures. HF net flows in N. American stocks were more negative in late Jan to mid-Feb and have been more positive most recently (some buying of Mag7 / LC software & covering shorts in LC Health Care, Staples, Utilities vs. selling Airlines, Energy, Banks, Med Tech). Retail and ETF flows have been mixed, but not clearly showing outsized selling. **In general, the recent net flows would suggest that there's been modest selling and hedging of risk, but not more extreme capitulation. Our TPM's aggregate level of positioning remains very low on a 12m lookback (around -2z) and modestly below average since 2015 (-0.4z or 25-30th %-tile).**

Europe has seen **very challenging alpha in the past week**, which has coincided with one of the largest 5d de-gross periods of the past few years (-2.6z). Longs in Cap Goods, UK Exporters, Financials, and Health Care have been sold, while shorts covered in Consumer / Retail mostly. From a net perspective, flows have been slightly negative among HFs recently and we don't see the relative HF flows between US and EU following the continued EU outperformance. Among CTAs, the relative EU vs. US equity positioning is at the highest since 1H23 and we're seeing moves similar to early 2022 when US fell faster than EU risk. Momentum risk remains elevated.

In **Asia**, **HF performance has held up better and we've seen little in the way of de-grossing**. CTAs remain very net long HK stocks (near historical highs), while HFs have been selling HK stocks lately via short additions. Japan continues to be net sold, in line with YTD trend. HF net positioning remains somewhat high in HK stocks vs. past few years (L/S ratio at 71st %-tile and net exp +1z), though rolling over a little. Japan positioning is similar to HK vs. longer term data, though trend has been more consistently negative in past few months.

ASSET CLASS VIEWS FROM RESEARCH & STRATEGY / RESEARCH LINKS

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

- **CROSS-ASSET: THE JPM VIEWS (Bassi; February 21, 2025)** – Geopolitics is back on center stage: a potential ceasefire of the Russia/Ukraine war appears achievable, but the bar for a credible peace deal is high. Cross Asset View: the uplift of Euro assets, the outperformance of European equities and credit, and the underperformance of Euro rates, amidst stronger EUR/USD and lower gas price, seems excessive vs. fundamentals…but could continue in the near-term as a mere ceasefire could be sufficient for the market to begin pricing the implications of a credible peace agreement even if such an agreement fails to eventually materialize. Medium-term preference for US vs. Euro equities, stay neutral on US rates, hold long in Euro duration, stay short EUR/JPY and long USD/CNH, in credit OW US HG. Consider potential upside in the Chinese AI and tech complex; trade talks spark interest. Extend ceasefire optimism via OW DAX or MDAX, long SEK and receive 2Y HUF rates. Fade excessive optimism about a ceasefire via buying put spreads on Polish equity index. While higher for longer should reinforce the concentration in momentum and high-quality stocks, the space for continuation of this narrative appears narrow, thus supporting the broadening theme

Table 1: Core recommendations by asset class

Equities	**Country:** OW Japan, prefer US to Eurozone, Neutral UK. Prefer DM vs EM. **Sector:** OW Comm Services, Healthcare, Real Estate; 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:** MW sovereigns; UW corporates.
Currencies	**DM:** Stay long USD vs EUR. Bearish GBP, NZD vs. JPY, Scandis. **Take profits on SEK longs vs GBP and EUR. Unwind EUR / CHF shorts.** **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 airpocket 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 airpocket could lead to more forceful Fed support, drive the re-steepening of the yield curve, and bullish equity market behaviour, 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 much sticks, the adverse impact on sentiment could still be the end result."
- **FIXED INCOME CROSS SECTOR (Barry; February 28, 2025)** – "A negative sentiment shift sent Treasury yields tumbling and corporate spreads widening. While we recognize the downside risks, we think the duration rally has been exaggerated by technicals and employment data next week should assuage some fears. We recommend tactical 2-year shorts and 10s/30s flatteners. Stay positioned for narrower swap spreads and long vol. We think the long end of the HG spread curve looks attractive."

- **HG (E. Beinstein, S. Doctor, N. Rosenbaum, S. Mantri)** - HG bond spreads rose to widest level since early October on growth concerns, lower rates and active supply. Foreign demand has slowed while retail demand is still robust. M&A issuance YTD has lagged versus last year while GSIB issuance is up. There are two large uncertainties regarding 2025 supply: SLR reform and M&A.
- **HY** (**Jantzen, T. Linares) -** High-yield bond spreads widened 16bp to a year-to-date high 321bp and leveraged loan prices decreased for a fifth consecutive week as investors recalibrate Fed expectations amid policy uncertainty and weaker data. For context, high-yield bonds and loans are still providing gains in February amid declining rates and are providing gains year-to-date totaling 2.0% and 0.9%, respectively.

- **FLOWS AND LIQUIDITY (Nikos; February 26, 2025) –** ***HAS THE UNWIND OF THE US EXCEPTIONALISM THEME GONE TOO FAR?: "***We detect positive flow trends by leveraged investors into Chinese equities listed in Hong Kong and into German equities. The risk is that real money investors follow. There remains some scope for momentum investors to add to long exposure in 10y USTs before mean reversion or profit taking signals are triggered, but overall bond positions are already on the long side. Retail investors continued to backstop the US equity market in February while hedge funds appear to be rebuilding their equity exposures YTD. Leveraged Equity ETFs played a role in amplifying the previous three days equity market correction."
- **HIGHLIGHTED RESEARCH (Azzarello; February 28, 2025) -** US Macro & Market Update

J.P.Morgan | Data Assets & Alpha Group

Data Assets & Alpha – delivering high frequency J. P. Morgan trading data and associated insights from the ***Market, Data*** *and* ***Positioning Intelligence*** *teams. Available through written product on JP Morgan Markets, conference calls & podcasts via platforms including Apple, Google and Spotify, and data feeds via the DataQuery application & Fusion platform.*

To sign up to this content or other written pieces from the Data Assets & Alpha Group, visit jpmm.com, select My Homepage => My Research Subscriptions => Markets Insights. You can then sign up to our content by Author or Publication.

Eloise Goulder | **Head of Data Assets & Alpha Group** | +44-203-493-0748 | eloise.goulder@jpmorgan.com

DA&A Website **JPM Markets** **Conference Calls** **Podcasts** **Fusion & Dataquery**

Market Intelligence

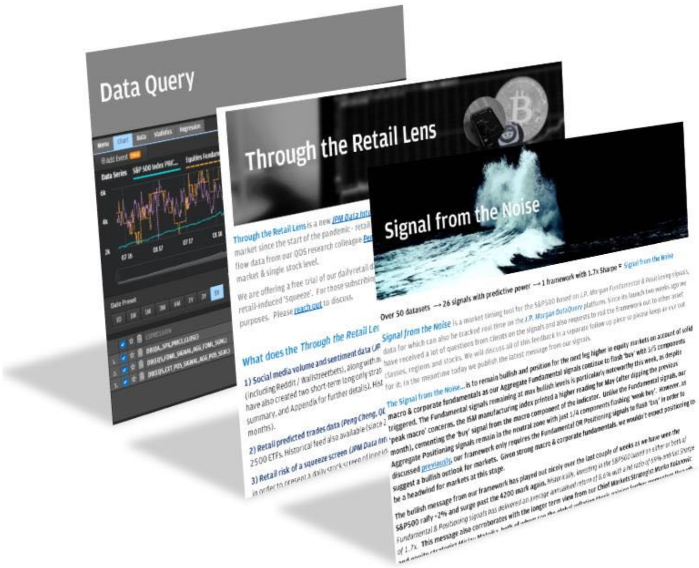
High frequency data-driven market insights and trade ideas leveraging macro, fundamental and political inputs

Andrew Tyler | Head of US Market Intelligence | +1-212-622-8067 | andrew.m.tyler@jpmorgan.com
Federico Manicardi | Head of International Market Intelligence | +44-207-742-7008 | federico.manicardi@jpmorgan.com
Ellen Wang | US Market Intelligence | +1-212-270-0533 | ellen.z.wang@jpmorgan.com
Victoria Campos | International Market Intelligence | +44-203-493-4898 | victoria.mf.campos@jpmorgan.com

Data Intelligence

Proprietary data and signals from our industry-leading Markets business, including equity signals, retail sentiment and volatility marks

Luca Rainero | Head of Data Intelligence | +44-207-134-8534 | luca.rainero@jpmorgan.com
Edwina Lowe | Data Intelligence | +44-203-774-3138 | edwina.lowe@jpmorgan.com
Gunel Mammadova | Data Intelligence | +44-207-134-8534 | gunel.mammadova@jpmorgan.com



Positioning Intelligence

Proprietary positioning and flows-based data and analysis, leveraging the J. P. Morgan Prime book, Retail investor and ETF flows. Data sets including positioning, flows, crowding, leverage, performance and alpha, and grouped by sector, industry, factor and strategy

John Schlegel | Head of Positioning Intelligence | +1-212-622-6512 | john.j.schlegel@jpmchase.com
Jigar Vakharia | Positioning Intelligence | +44-207-134-0275 | jigar.r.vakharia@jpmorgan.com
Daniel Landau | Positioning Intelligence | +44-203-493-1092 | daniel.landau@jpmorgan.com
Sunny Potharaju | Positioning Intelligence | +1-212-622-3688 | sunny.potharaju@jpmorgan.com

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 maximise 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.